the west's slow and limited killed over 1,300 people in donations from five big west-

Vietnam opens files let US experts see military archives which could reveal the fate of American soldiers missing since the Vietnam war, Hanoi said.

Madagascar emergency President Didier Ratsiraka of Madagascar, under pressure to quit after 16 years in power declared a state of emergency in the capital Antananarivo and ringed government offices with guards, Page 3

iraqi hostage's sulcide Briton Clive Stringer, held in lrag for four months as a "human shield" hostage, returned home a changed man and six months later killed <u>himself with a shotgun, an</u> inquest in southern England was told. A suicide verdict was

Rushdie 'hit squads' An Iranian dissident group said it had proof that the Tehran government had dis-patched hit-squads to kill author Salman Rushdie and ian and Japanese translators. Rushdie's The Satanic Verses is considered blasphemous by

Labour braced for polls Britain's opposition Labour leader, Neil Kinnock, put his party on alert for a possible mber 7 general election

VANCIAL TIMES

Wednesday July 24 1991

ENVIRONMENT

Futures trading in 'green credits'

Page 21

D 8523A

World News

FT No. 31,512 THE FINANCIAL TIMES LIMITED 1991

Six held in Japanese trading house closing high scandai

Six men were arrested in Japan in connection with the scandal involving trading company Itoman, which came close to bankruptcy through speculations in property and art. Those detained include former Itoman president Yoshihiko Kawamura. Page 12

Shamir praises Syria Israeli premier Yitzhak Shamir signalled optimism about US Middle East peace proposals. He compared Syria's agreement with the plan with Egyptian president Anwar Sadat's decision to break Arab ranks in 1977 and negotiate with

Croats warned of war Croatian president Franjo Tudiman stormed out of a Yugoslav leaders' meeting and warned Croats in a television address to prepare for "all-out war, possibly within days".

UK army cuts The British Army is to be cut by 40,000 to 116,000 personnel. Many regiments will be merged, but Wales's oldest, the Royal Welch Fusiliers, won a reprieve. Page 12; Back-ground, Page 8

'No Falklands talks' British foreign office minister Tristan Garel-Jones ruled out talks between the UK and Argentina over sovereignty of the Falklands (Malvinas)

as "out of the question". American jailed

Russian-born American Eric Rubin, 53, was jailed for 12 years at London's main criminal court for his part in one of Britain's biggest armed rob-beries — a £40m (\$64m) raid on a safe deposit centre in 1987.

Compensation plan Former political prisoners in communist East Germany are to be paid at least DM450 (\$246) by the German government for every month they spent

Vision International criticised response to floods which have China. Hong Kong had contrib-uted more than the sum of

ern nations, a spokesman said. Vietnam has for the first time

was behind attacks on his Ital-

- the date he believes prime minister John Major will pick.

cial curtailment is feared ...

Business Summary

FT-SE 100 signals new for UK stocks

London stock market shares left the narrow trading range they have occupied for four months. The FT-SE 100 index of leading stocks rose 29.4 points to a record closing high of 2587.9, after reaching 2594.7. The market fell in the last half hour after poor performance on Wall Street. The Dow-Jones Industrial Average later fell from Monday's strong retail sales and trade figures, seen as signs that economic recovery would soon be under way. Markets, Section II

Aluminium Cash metal (\$ per tonne) 1,340 1,300 1,280 1,260 1,240

June 1991 July Source: Detastream **ALUMINIUM** prices continued to fall on the London Metals Exchange, although the mar-ket was able to absorb fairly heavy producer hedge sales. The 2,325 tonnes rise in LME warehouse stocks was smaller than expected but traders are confident of further large arriv

group, is to sell most of its loss-making computer division to Digital Equipment Corporation (DEC) of the US for an undisclosed price. The transaction will boost DEC's presence in Europe. Page 13 **WEST GERMAN** inflation

4% when one of the country's biggest states, North Rhine sional rate of 4.3%. It could trigger interest rate rises by

mission, possibly more than the record fine of Ecu47m (\$52.48m) . Page 12

NATIONAL Home Loans, one of the UK's largest mortgage lenders, faced a liquidity crisis as local authorities withdrew their deposits. The Bank of England and the eight biggest British clearing banks

future Japanese car imports

would be its US marketing partner for Manoplax, a drug

higgest Swiss bank, announced a substantial improvement in consolidated earnings for the first half, but gave no fig-

attempts to win industry sup-port for its proposed common standard for high definition elevision is under threat. tries are resisting agreeing to a memorandum promoting D2-

DAIMLER-BENZ's chairman signed the FFr2.4bn (\$406m) agreement with Mr Serge Kampf, Sogeti's chairman, in which the German group will take a 34 per cent holding in Sogeti and subscribe to a convertible loan initially, and buy a warrant to subscribe to a

further, slipping below 3,000, to 2,997.76 by lunchtime, down 15.21. London's rise stemmed

als during the summer. Page 22 PHILIPS, Dutch electronics

appeared to have moved above

Westphalia, announced a provi

TETRA PAK, Swiss packaging group, is expected to be fined heavily by the European Com-

launched a £200m cash rescue

Page 13; Lex, Page 12 TRADE: European Commission has asked EC governments for their approval of the deal negotiated with Tokyo on

into the Community. Page 4 BOOTS, UK-based pharmaceutical and retail group, announced that Warner-Lambert, big US drugs company,

not yet launched. Page 13 UNION BANK of Switzerland,

ures. Page 14 **EUROPEAN** Commission Broadcasters in several coun-

Mac. Page 12 capital increase in 1995.

Bush dilutes chemical arms control proposals

PRESIDENT George Bush, who has made a global ban on chemical weapons a central US foreign policy goal, has backtracked on earlier pledges to open US military and government controlled sites for interment-controlled sites for international inspection.

Mr Bush has won support for the policy shift from Britain, which has previously been a strong advocate of intrusive on-site inspections to verify compliance with an international chemical weapons

Although US and British offi-

cials defend their joint pro-posal as a compromise neces-sary to protect national security, arms control experts and other critics argue that the terms of verification may be so loose as to undermine the value of a treaty.

The joint US-British pro-posal, co-sponsored by Austra-lia and Japan, was submitted last week to the UN-sponsored international chemical weapons talks in Geneva. It follows a flerce inter-agency battle in

The challenge issue - the

right to demand on-site inspec-tion — is the last remaining big obstacle in the long-running Geneva talks. The impor-tance of on-site inspection has been illustrated graphically by Iraq's recent deflance of United Nations inspectors seeking access to suspected nuclear weapons sites.

The US would like to see a chemical weapons treaty signed by next May, just before the November 1992 election. In an effort to speed up the talks, Mr Bush recently dropped US

small stockpile of chemical weapons and renounced the right to retaliate with them. Behind the scenes, however, hardliners opposed concessions on on-site inspections, arguing that it could allow hostile interests to engage in "fishing expeditions" at other top-secret-facilities such as "stealth tech-

nology" plants.
This argument grew stronger after the victory of the Gulf war when US military technol-ogy proved decisive. Moreover, hardliners believe that chemithat a treaty may be unverifiable. The British government,

which said a year ago that "there are no UK sites so sensitive that we could not allow some form of access within thesite", floated a compromise known as "managed access" to break the deadlock.

However, by joining forces with the US, the British have passed up the chance to stand with the French and Germans in favour of a more strict verification regime. The treaty language also shows that London was forced to give ground on "managed acces

In a section entitled inspec-tions under article 9 of the proposed treaty, the language states: "The inspection team shall be guided by the principle of conducting the inspection in the least intrusive manner possible, consistent with the effective and timely accomplisment

The principle of managed access is also watered down. The signatory states would be

Major knew of BCCI problems two years ago

MR JOHN MAJOR, the UK prime minister, was told on several occasions of problems surrounding the Bank of Credit and Commerce International by Mr Robin Leigh-Pemberton, the governor of the Bank of England, when Mr Major was chancellor of the exchequer. However both Mr Leigh-Pemberton and officials close to the BCCI affair say Mr Major only learned of fraud after the Price Waterhouse report on BCCI was produced at the end of June this year. The issue of what Mr Major

knew and when he knew it became the centre of fierce political controversy yesterday as Mr Neil Kinnock, the as Mr Nell Kinnock, the
Labour opposition leader,
charged the prime minister
with being "utterly negligent"
in his handling of the case.
Amid scenes of uproar in
Parliament, Mr Kinnock
accused Mr Major of knowing
of "grave irregularities" at the of "grave irregularities" at the bank - which was recently closed down by the Bank of England - in early 1990. Mr Kinnock asked: "Wasn't

your failure to act on the knowledge you had a complete dereliction of duty?".

A clearly furious Mr Major responded that the Labour leader was conducting "opposition by smear" in his attacks.

"If you are saying I am a liar,

you had better say so bluntly,' In his replies, Mr Major would only concede that "the first I knew of serious banking irregularities was on June 28. last month."

It emerged vesterday that at regular monthly lunches with Mr Major, when chancellor, Mr Leigh-Pemberton would raise issues relating to bank supervi-



Bank issue: Robin Leigh-Pemberton leaves the House of Commons yesterday after answering questions on BCCI

It is understood that Mr Leigh-Pemberton mentioned BCCI by name a few times in the period between late October 1989 and the end of November 1990 and informed Mr Major of the troubles at the bank and its involvement in laundering drugs money. He did not go into details. The officials believe Mr Leigh-Pemberton took special

and Mr Major of regulatory concerns because of criticism of the Bank of England over its rescue of Johnson Matthey Bankers in 1984. Mr Leigh-Pemberton told the

Treasury Committee of the House of Commons yesterday that he had spoken with Mr Major about the BCCI restructuring plan of April 1990 and of other aspects of the bank on

Matters brought up at these meetings included BCCT's convictions for drug money laundering in the US in 1989, he

"Certainly I would have talked to the chancellor about the Tampa affair," he said. Mr Major was also kept the financial troubles of the bank from April 1990 onwards, when a report from Price Waterhouse, the bank's auditors, revealed large possible bad loans. "Certainly at the time of the April report, I remember talking to the chancellor about BCCI," Mr Leigh-Pemberton said. But he said that he would not have told Mr Major about the suggestions of impropriety that Price Waterhouse had raised. "I would not have told him about the context of that

report," he said. Mr Leigh- Pemberton said that, at a further meeting in October, be "distinctly remembered" telling the chancellor that the bank's UK branches

He said: "All chancellors I have served have been aware that it (BCCI) might cause us difficulties and I have assured them I would keep them informed about irregularities that might cause difficulties or embarrassment.

It was also rev first time before the committee that the fraud which eventually led to the closure of the bank involved "representatives of the shareholders", the ruler and government of Abu Dhabi. Mr Leigh-Pemberton said that, for diplomatic reasons, he could not go into further

BCCI shutdown, Page 6

Soviet Union applies to be full member of IMF

By Peter Riddell in Washington and John Lloyd and Leyla Boulton in Moscow

THE Soviet Union has applied for full membership of the International Monetary Fund and World Bank rather than the special associate status endorsed by the Group of Seven leaders last week. The IMF announced last night that President Mikhail

Gorbachev had written to Mr Michel Camdessus, the fund managing director, applying for membership, a necessary step to joining the World Bank. This unexpected announce-ment will embarrass the US which, together with Japan, has argued that the Soviet Union will not be ready for full

membership, and hence the

right to borrow from the fund, for some time.
Instead they have favoured special associate status as a means of providing immediate technical advice on designing an economic reform programme.

In practice, the US and Japan have the voting power in the IMF, which is weighted by size of economies, to block a Soviet membership application. The decision to apply for full membership of the IMF was taken by the Soviet government in May, but a formal application was only lodged in

the last few days. Soviet ministers believed that they should apply as soon as possible for full membership, because of the long time between application and the granting of full status. Mr Vladimir Shcherbakov,

the first deputy prime minis-ter, said he believed the application process would take six months. However, US officials believe it could take two years The IMF said yesterday that it stood "ready immediately to extend to the Soviet Union the appropriate technical co-operation which may be required in

its present situation Teams from the IMF and the World Bank arrive in Moscow next week to begin a close examination of the Soviet economy. Mr Norman Lamont, the British chancellor, is also expected to arrive on Wednesday to start talks on economic assistance with Mr Shcherba-

The speed with which the IMF, the Bank and Mr Lamont - representing the Group of Seven leading industrial nations rather than just the UK government – have moved indicates urgent moves to follow up the London agreement to assist the Soviet Union in its

reform process.
Officials in the international economic institutions and the G7 governments fear that the collapse of the Soviet economy will soon make peaceful reform more difficult.

The IMF and the World Bank are anxious that there should be a systematic approach to supporting reform. But a cru-cial problem will be deciding on the size of the Soviet quota or subscription.

The financial organisations also fear that the mandate given to them by the London summit - aiding piecemeal projects and delivering technical assistance - will not be enough to tackle the problem of the worsening Soviet econ-

Gorbachev draft programme for Communist party brings split nearer, Page 2

Unisys to cut 10,000 jobs and reduce product range

By Martin Dickson in New York

UNISYS, the struggling US computer manufacturer, yes-terday announced a pro-gramme to cut costs, involving 10,000 job losses, consolidation of plants, a slimming of its product range and \$1.2bn spe-cial charges against second-

quarter earnings.
It forecast that the moves would restore it to profitability later this year. The company, which has incurred heavy losses for the past two years, has been grappling with an extremely large debt burden a legacy of the 1986 merger between Sperry and Burroughs which created the group - and a sharp downturn in the main-frame computer market.

Mr James Unruh, the chairman, said yesterday that the company was sticking to its strategic plan, announced last autumn, to focus its resources on a limited number of key markets. But the state of the industry meant it now had to speed up and broaden these changes. The company, which has cut

its workforce from around 90,000 to 70,000 over the past two years, now wants to reduce the total to 60,000, with some 6,000 of the cuts coming by the end of this year and the remainder mostly by the middle of next year.

About half the reduction would come from administrative staff and two thirds would be in the US. Other staff cuts would come from products it has decided to "de-emphasise"

- an apparent suphemism for
gradually phase out - and from plant closures.

Unisys said all these factors had produced a \$925m restructuring charge in the second quarter, and it was also taking a \$275m write-down on good-will and investment losses. ter loss of \$100.2m on revenue of \$2.2bn into a net loss of \$1.3bn, or \$8.24 a share. In the same period of 1990 it made \$11.8m, or a loss of 9 cents a share, on revenues of \$2.47bn.

However, Mr Unruh said he was sure these actions would

produce a "profitability break-through". Costs would be reduced by \$800m on an annual basis by the end of 1992, producing an annual favourable change in cash-flow of \$750m. The announcement was generally welcomed on Wall Street Mr Rick Martin, an analyst at Prudential Securities, said the cost cutting meant that over the next six months or so Uni-sys would "get out of the woods". He said it should end talk that the company might have to file for bankruptcy.

However, Unisys's financial position remains tight. The latest write-offs mean the com-pany has breached the terms of a \$1.25bn revolving credit agreement with its banks, which required it to have net worth of \$3.5bn. The net worth floor has now been reduced to \$2bn (compared to Unisys's currency-adjusted total of \$2.3bn). But the company will have to give the banks addi-tional security if it wants to draw on the facility beyond the \$1.05bn currently extended.

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after racing to record hi	By
kdernational 3 Companies 14-16 America 4	Arts Guide + Reviews Europe
World Trade 4	Crossword
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eshima Rao's minority government has begun the task of reforming with urgency and is contemplating measures which, while unpopular, will win it IMF support to stave off a foreign debt

Page 3 World Markets 22 18 11 12 11 8 Tachnology

New York lut \$1.68185 \$1.6845 (1.681) DM2.9575 (2.955) FFr10.045 (10.035) Y230.75 (231) £ index 91,1 (91.1) GOLD New York: Comex Aug

MARKETS

\$ (369.5) N SEA OIL (Argus) Brent Sep \$19.576 (19.95) Chief price changes yesterday: Page 13 96<u>5</u> yield: 8.467%

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STOCK INDICES

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22,758,98 (+53,69) LONDON MONEY

Treuhand aims

to bring defiant

PDS to book

THE German Communist party defiantly dug itself in yester-day for a confrontation with its

latest enemy, the chartered accountants of the Treuhand

privatisation agency.

The Treuhand is seeking to gain control over assets the

party had obtained illegally

since 1945. Mr Gregor Gysi, the east Berlin lawyer who heads the Democratic Socialist party

(PDS) - which ruled East Ger-

(PDS) – which ruled East Germany with an iron hand as the Socialist Unity party (SED) – threatened to bar the accountants from his office in party headquarters, saying he would invoke his immunity as an MP

ordered by the Treuhand to investigate illusive records of

the party's controversial

Mr Gysi's portrayal of him-self and his party as victims of state persecution brought an

EUROPEAN NEWS

warns of 'all-out war within days'

By Laura Silber in Belgrade and Anthony Robinson in

and Serbs plunged to new depths of bitterness and recrimination yesterday as fighting erupted hours after Mr Franjo Tudiman, the Croatian president, stormed out of a meeting of Yugoslav leaders in the lakeside resort of Ohrid.

In an emotional television address Mr Tudiman told

address Mr Tudjman told address Mr Tudjman told Croats not to be provoked but to prepare for "all-out war, possibly within days" in defence of Croatia. Earlier at Ohrid he had rejected demands by the presidents of Serbia and other republics for the demobilisation of "all illegal formations

and reserve forces in Croatia." The federal order for Croatian units to disarm was also rejected by Mr Stipe Mesic, the Croat who currently chairs the collective state presidency. He accused Serbia of seeking to annex parts of Croatian territory. "Serbla is not fighting for the rights of Serbs in Croatia but for the Croatian territories."

where Serbs live," he said.
Croat representatives called for the withdrawal to barracks for the withdrawal to barracks of the largely Serb-officered federal army in Croatia. But Mr Borisav Jovic, Serbia's representative on the collective presidency, argued that if the presidency accepted the Croat demand we would have open stril war and blood up to cur civil war and blood up to our

Mr Kiro Gligorov, the Mace-donian president, said that the federal leadership would ask

RELATIONS between Croats for European Community observers, monitoring the truce between Slovenian and federal forces in Slovenia, to be deployed in Croatia.

But diplomatic sources say EC involvement in the ethnic conflicts between irregular units in Croatia or Bosnia would risk them getting embroiled in a Lebanon-style conflict, totally different from the clearly delineated situation in ethnically homogeneous Slo-

A senior Dutch diplomat, Mr Henry Wijnaendts, was expec-ted in Belgrade to urge further negotiations between the republics, but the Dutch for-eign ministry said there were no immediate plans to expand the EC monitoring.

the EC monitoring.

Units of the federal army are stationed in ethnically mixed croatian villages ostensibly to keep the warring groups apart. But Croats complain that the army is intervening to defend Serb minorities and turning a blind group is attacks on Croats. blind eye to attacks on Croats by armed Serb "Chetnik"

groups.

Two Croatian policemen were killed yesterday in a battle with Serb villagers in Palaca, eastern Croatia, after more than 20 people were killed on Monday in clashes between Croat policemen and Sorbe

Fighting was also reported between federal troops and Croatian forces on the border

Kohl says time not ripe for recognition

CHANCELLOR Helmut Kohl yesterday yielded to President François Mitterrand's persua-sion and stated publicly that the time was not ripe for moves to recognise the inde-pendence of Croatia and Slo-

In so doing, he was resisting growing political pressure from the ranks of his own Christian Democrat supporters in the

At the same time, the French president firmly rejected the use of force to hold the Yugoslav federation together, and then obliquely warned against any German temptation to intervene more directly.

"The era of great empires in the Balkans is over." Mr Mitterrand declared, at the end of an informal bilateral summit on the Tegernsee, in the southern Bavarian alps.

The glorious summer weather and visual splendour of the mountain setting was

deployed on its border with

Yugoslavia during fighting in the breakaway republic of Slo-

venia, Reuter reports from

Vienna. A defence ministry statement said the pullback of

troops and air force reinforce-

ments would probably begin tomorrow and be completed by

Defence Minister Werner Fasslabend ordered extra

forces to the frontier on June

28 after a Yugoslav jet fighter flew over Austria during clashes in Slovenia that fol-

lowed the republic's declara-

supposed to underline the healthy state of Franco-German co-operation across the spectrum of international issues. However, the words of the two leaders suggested that, in fact, their relationship is decidedly wary on several issues, including Yugoslavia. The principal subjects of discussion were the two inter-gov-

ernmental conferences of the 12 EC member states, on economic and monetary union, and on political union. While Mr Kohl praised Franco-German co-operation on political union, he merely

seats on Tuesday staged a nine-day hunger strike in proexpressed his conviction that a test at a new constitution "reasonable compromise" would be reached on the outpassed two weeks ago which they dismissed as the product of a communist-dominated standing questions on monetary union - where the two sides are clearly divided.

European Community

observers are monitoring a ceasefire between the Yugoslav

federal army and Slovenia as

The hunger strikers As for Mr Mitterrand, he demanded a referendum on the issue but ended their protest on Friday with their main warned that it was "prema-ture" to draw any conclusions for security co-operation from the progress on political union.

wish unfulfilled. The row over the constitution-drawn up by Bulgaria's first multi-party parliament in four decades — sparked a wave of political unrest in the Bul-Austria in border pullback

garian capital. Riot police clashed with stone-throwing youths in cen-tral Sofia last Wednesday shortly after a rally called by the Socialists in support of the

Bulgarian

return after

THIRTY-NINE Bulgarian

deputies who walked out of

parliament 10 weeks ago to

was elected last June in the

country's first multi-party elections in four decades

which were won by the former

Twenty-seven of the depu-

renamed Socialist

deputies

walkout

part of a July 7 agreement which included a three-month The constitution, which is now in force, guarantees human rights, recognises various forms of property ownership, and defines the powers of the government and president.

• US President George Bush will create a \$50 fund to moratorium on implementation of the June 25 independence declarations by Slovenia and Croatia. The accord ended fighting in Slovenia but failed to halt violence in Croatia. encourage the development and growth of agriculture and related industries in Bulgaria, the White House announced on Monday. Yesterday's statement quoted Mr Fasslabend as say-ing tensions had eased in Slo-

constitution.

Croatian leader | Police trample Hamburg's Red Flower protestors



tors to drive them off a construction site in Hamburg where groups of young people have lived for two years, turning the site into the so-called Rote Flora Park (red flower park). The state govern plans to erect 42 council flats there, but the protestors say there are enough empty flats in the district.

Gorbachev's draft programme for Communist party brings split nearer

MR MIKHAIL GORBACHEV, Soviet president and general secretary of the Soviet Commu-nist party, will tomorrow present his party's central commit-tee with a draft programme designed to reshape it into a social democratic party, com-mitted to pluralism, a mixed

parliament 10 weeks ago to demand new elections returned to their seats yesterday, a week after a date was fixed for the polls, Reuter reports from Sofia.

The deputies, all from the non-communist Union of Democratic Forces (UDF), left the assembly on May 14, protesting that parliament was domieconomy and civil rights.

The programme, which has gone through some nine drafts of which the final is the general secretary's own - retains the same thrust as the earlier, more wordy documents. It coning that parliament was domied by former communists, and demanding a date for new stantly repeats the party's devotion to democratic norms, "unconditionally denounces" (for the first time) the crimes President Zhelyu Zhelev, a former UDF leader, last Tuesday set the date for the elec-tions as September 29. of Stalin and says that "noble ends can never be achieved by The 400-member assembly

ignoble means". Its unambiguously revisionist style has already outraged the party's hardliners – the people who Mr Gorbachev hopes will resign, leaving him yesterday that the hardliners Mr Valentin Varennikov, a

oriented party still retaining its vast and secret wealth. He will hope to gain added histre before the central committee following a meeting of the federation council of republican leaders, which was meet-ing at Novo Ogarevo, near Moscow, late last night with the aim of finalising work on

the union treaty.

Already, his closest allies in the party central commit-tee – Mr Arkady Volsky, head of the Industrial Scientific of the industrial Scientific Union (of employers) and Mr Alexander Yakoviev, a presi-dential side – have said that they have 100 of the 500 strong central committee behind them in their insistence that the programme must be adopted. If it is not, they say, they will adopt it anyway, possibly by forming a breakaway party round the

However, there were signs

Mr Alexander Ilyin, the second secretary of the Russian Com-munist party, said yesterday the programme was merely a draft for discussion this week after which there would be party and public discussion and it would be finally adopted

or rejected at the party congress, probably in November.
According to the weekly newspaper Nezavisamaya Gazeta, which published the draft programme yesterday, Mr Gor-bachev may be forced to resign at that congress. But there are no serious forecasts that he will be forced out, or choose to

esign, this week.

The hardest of the hardliners, however, have chosen to raise the spectre of military intervention. A front page appeal in the Sovetskaya Rossiya newspaper yesterday, signed by Mr Boris Gromov, deputy interior minister, and

he opinion from what is hap-

pening in society".

The party's "primary organi-

sations" are traditionally based

in workplaces rather than in geographical localities. The

draft party programme to be discussed at the central com-

mittee plenum tomorrow con-

tains a clause which would

encourage both to exist.

10 others, said: "A great disaster has taken place... the Motherland is dying... we are convinced that the army and the navy... will prevent frairicidal war and the destruction of the Motherland."

The programme, cut by half from its original 50 pages to a mere 23, professes itself to be against both "total state ownership and total privatisation". It gives pride of place to the mmediate governmental tasks - creation of a federation of self-governing states, the shift towards a mixed economy and the creation of a secure base for civil liberties and a "law

It admits that the capitalist countries have leapt shead of the Soviet Union in technology and in the satisfaction of consumer needs, but adds that "contemporary capitalism cannot provide for the harmonious

US leader's itinerary outlined

By Leyla Boulton in Moscow

PRESIDENT George Bush will arrive in Moscow on Monday night for his long-awaited summit with President Mik-hall Gorbachev and will wind up his trip with a visit to Kiev, the capital of the indepen-dence-minded republic of

Mr Vitaly Ignatenko, the president's spokesman, said yesterday the treaty reducing the two countries' nuclear arsenals would be signed in the Kremlin on Wednesday, the second day of talks between the two leaders.

Apart from bilateral issue and Soviet economic reforms the talks will include Middle East peace efforts and other regional issues. Mr Gorbachev would not accompany President Bush to Kiev, since the trip there was an American gained assets by oppression and breach of law", it charged, and demanded they be handed

amir rian n

peace

over to the agency.

The party leader had challenged the right of an all-party commission to determine which of the PDS's asset had which of the PDS's assets had heen obtained illegally. According to the unification treaty concluded by East and West Germany the PDS was only to be allowed to retain assets obtained by the SED according to "constitutional principles". to "constitutional principles".

Mr Hanno Harnisch, PDS spokesman, claimed yesterday the commission was attempting to exclude the PDS from all political activity. It was clear the party would not get back its assets even if they were found to have been legally acquired, he said.

At issue are nearly 750 SED properties worth several billion

properties worth several billion D-marks at current prices. The choicest ones lie in the heart of east Berlin where Fundament the party's real estate arm, is completing an office block to rent to western companies.

East German prosecutors and judges investigated

FORMER East German state judges and prosecutors are under criminal investigation for jailing people to silence political dissent, Berlin Justice Senator (Minister) Jutta Lim-

bach said yesterday, Reuter reports from Berlin. They are suspected of perverting justice, an offence in the west German criminal code extended to the east after unifcation in October 1990, Ms Limbach told reporters.

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The same agreement

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She declined to say how many former judges and prose-cutors were involved, but she said the scope of inquiries was likely to spread and 67 former east Berlin judges had already been sacked for their role in

political verdicts. Special examining committees formed after unification have been vetting the credentials of more than 1,500 eastern dges and prosecutors to decide their professional

In the former East Germany, judges and prosecutors usually had to be Communist party members. Refusal to punish people convicted of political offences in the criminal code, such as "anti-state agitation," would usually have meant dis-missal and discrimination in all aspects of life.

The committee checks, cou-pled with ignorance about western law, has crippled eastern Germany's legal system. Hundreds of German jurists from the west have been sent to the area to clear up case backlogs and retrain eastern colleagues

Tens of thousands of east Germans convicted of political offences under the 40-year Communist regime are seeking to clear their names and win

financial damages.
Hundreds of criminal inquiries are pending against former
Communist government leaders, security police agents and border troops for offences rang-ing from fraud to murder. The Bonn government plans to pay former political prisoners in communist East Germany compensation of at least DM450 (\$255) for every month that they spent in prison, gov-ernment sources said yesterday. Reuter reports from

The sources said the compensation scheme, outlined in a draft law to be put to the cabinet on Wednesday, would cost the government at least a billion marks (\$570m).

Finance Minister Theo Wai-

gel had proposed a figure of 450 marks per month, but the sources said the sum was likely to be slightly higher.

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in charge of a democratically would play the struggle long. deputy defence minister, with Yeltsin attempt to curb party activity likely to be challenged

By John Lloyd and Leyla Boulton in Moscow

THE decree issued by Mr Boris Yeltsin, the Russian president, banning communist and other party organisations at workplaces is likely to face a challenge on constitutional

The decree, signed on Saturday and coming into force on August 4, bans all organisational activity in workplaces except that of the trade unions and then only by agreement

Mr Vitaly Ignatenko, the presidential spokesman, said that many are raising questions about the constitutionaltty of this decree ... there is concern that this decree contains elements of tension and confrontation".

The communist party's polit-buro took a harder line, blasting the "anti-constitutional and anti-democratic act, illegal public associations and the vio-

ern donors for a further 100,000

tonnes of grain to relieve acute

food shortages in the newly-de-

The decision was announced

yesterday after Mr Frans

Andriessen, the EC external

affairs commissioner, returned from talks on Monday with

Mr Gramoz Pashko, the dep-uty prime minister, said parts

Albanian leaders in Tirana.

mocratised Balkan country.

Community to give grain

to hungry Albanians

FIVE YEARS after the Chernobyl nuclear disaster, personnel at Soviet nuclear power stations still make frequent errors, according to a senior government official, Reuter reports from Moscow. Twenty of 59 stoppages at Soviet nuclear stations in the first six months of this

year were caused by human error, said Mr Anatoly Mazalov, of the state nuclear safety committee.

lation of their rights". It called on the Soviet and Russian parliaments to oppose the "curbing of democracy".

Mr Alexei Ilyin, second secretary of the Russian Communist Party, said the political decree violated international norms and was "playing politi-cal games after the London summit, before the party ple-num. It wants to distract pub-

Workplace branches have played a powerful controlling role in plants – though in recent years this has faded and many have been disbanded. In addition to the party and trade

union structures, other organisations - such as womens' associations, veterans' unions and youth organisa-tions - have been represented in workplaces, all under the tutelage of the the communist party. However, these organi-sations now claim to be independent from the party and resent their loss of rights.

Conflict in Gulf spoils Luxembourg's soldiers

SOLDIERS OF Luxembourg's THE European Community is of his country had been with-to give Albania 50,000 tonnes of wheat and canvass other west industrial output had fallen tiny army smuggled home cap-tured Iraqi weapons from the Gulf and others smoked hashby half in the past six ish in their barracks at home or stole guns, an inquiry has disclosed, Reuter reports from While the EC grain may not reach Albania until autumn,

Justice officials said yesterday that at least 30 of the 500strong armed forces were alleged to have used the drug at the main barracks in the

town of Diekierch. Soldiers had also stolen

Turkey and northern Iraq in

assault rifles, five Makarov pis-tols and 41 bayonets discarded by Iraqi forces.

French foreign trade gap widens

FRANCE'S foreign trade deficit widened to FFT3.8bn (\$610m) in June, taking the shortfall after seasonal adjustments for the first six months to FFr22bn, compared with FFr14.6bn in the same period a year earlier. The figure was not good, admitted Mr Pierre Bérégovoy, the finance minister, adding that the trade performance remained one of his main preoccupations. He noted, however, that exports remained stable at FFT99.1bn in June,

were 2 per cent up from May.
This possibly reflected growth
in consumption and thus signalled a pick-up in the econ-

Brussels is planning an imme

diate Ecu500,000 worth of baby

The EC will also urge its partners in the G24 group of western aid donors to extend

project and investment aid to

that we are emerging from a period of slowdown," he said. Trade with the UK, Mr Beregovoy said, had produced a rare deficit of FFr474m, where France had an average surplus of FFr1.4bn a month last year.
France recorded an overall

while imports at FFr102.9bn deficit of FFr830m in trade with the European Community last month, compared with a FFr1.9bn surplus in May, while its deficits with the US and Japan remained broadly stable at FFr4.0bn and FFr2.1bn

> The deficit in manufactured goods widened to FFr4.5bn, despite the sale during the month of 15 Airbus airliners worth FFrs.94bn.

Mr Beregovoy ruled out any possibility of devaluing the

franc. "There will be no devalto suffer.

boost to France's programme of subsidised loans to small business. The Codevi scheme, which offers loans at an 8.75 per cent interest rate to businesses with turnover of less than FFr500m, will be expanded to FFr25on, compared with FFr16on last year.

tols from army depots nearby. The grand duchy sent around 50 soldiers to southern

May on a humanitarian mission with other Nato allies to help Kurds fleeing Baghdad's When they returned last month they smuggled in 10 Soviet-made Kalashnikov

"They were brought home as souvenirs," an official said.

By George Graham in Paris

This seems to me to show a

uation. Devaluation always ends in a dose of austerity in which employees are the first The minister also announced Kler es security --- Tare)

NATIONAL AND INTERNATIONAL BID DUE TO BANKRUPTCY The National Commercial Court of First Instance No 1, Clerk's office, No 1, Avda. Roque Saenz Peña 1211, 5th floor, (1058) Buenos Aires, Argentina, communicates that in re "S.A. LA RAZON E.E.F.I.C. y A. Bankruptcy proceedings Incident of sale of Principal Plant", has ordered the "ad corpus" sale by National and International tender of its principal publishing plant, closed down with no personnel.

Location: Avda. General Hornos 690, Buenos Aires, Argentina. Objet: Publication of newspapers, periodicals and publications.

AUSTRIA said yesterday it tion of independence from would withdraw 2,000 troops Yugoslavia.

Real estate property: Avda. General Hornos 690/730, Montes de Oca 575/81 both in the city of Buenos Aires, and which include manufacturing plant, administrative offices, personnel and executives dining rooms, photographic archives, library of newspapers and operations yard. There is running water, electricity, telephones (70 lines plus 12 direct communication lines) and 4 telex lines.

PRINCIPAL PLANT OF THE NEWSPAPER "LA RAZON"

Total area: 22,716 covered sq. metres. Other property: Rotary printing press, machinery equipment, tools, furniture and fixtures, raw materials and stock in deposit.

Trademarks: "LA RAZON" and others. Base: 10.318.658 us. dollars, payable in cash, or 30% at 10 days after definite award, and

from 11.00 a.m. to 5.00 p.m. until August 26, 1991.

70% in seven semiannual, equal and consecutive installments. Other forms of payment will be accepted if the allow payment on a shorter term. Interest: L.I.B.O.R. as per tender. Sale of Tender: Avda. Pte. Julio A. Roca 733, 5th floor, (1067) Buenos Aires, Argentina

Price of Specifications: 25.000.000 Australes (equal US\$ 2.500), with inspection and Bids: Must be presented at the domicile of the Court from August 19, to August 30, 1991 at 10.00 a.m. fulfilling all the legal requisites set forth in the tender under penalty of annulment. The opening of the bids will be carried out in an act witnessed by public notary in the courtroom of the building of Court on August 30, 1991, at 10.30 a.m.

EDNESDAY JULY W.

SOUTH TO RESERVE CONTINUE AND

Shamir praises Syrian move on peace plan

By Hugh Carnegy in Jerusalem

prime minister, yesterday lik-ened Syria's acceptance of American Middle East peace proposals to the initiative of President Anwar Sadat of Egypt who in 1977 broke Arab ranks to open negotiations with Israel. In an upbeat assessment of

the chance of peace talks, Mr Shamir said the Syrian response was "a phenomenon similar to what happened in Egypt with President Sadat hen a revolution occurred in his concepts that ultimately led to negotiations with Israel and to peace".

Mr Shamir said he was hopeful that "in a month or two, we will sit together with our neighbours' representatives and we will talk". The Israeli prime minister was speaking to a delegation of prosecutors from the US and his remarks

were issued by his office.

However, Mr Shamir warned that sharp differences remained over Palestinian representation at any peace talks, an indication that Israel will insist on maintaining a veto on anyone it considers to be asso-ciated with the Palestine Liber-

ation Organisation.
Mr James Baker, the US Secretary of State, called on Israel yesterday to accept the broad outline of its proposals, while leaving obstacles such as Palestinian representation to be worked out later. But a senior Israeli official

Canberra

freezes

A\$7bn

trusts

in Canberra

minor trusts.

worth of

By Emilia Tagaza

AUSTRALIAN

government yesterday imposed a 12-month freeze on A\$7bn

(£3.3bn) worth of investments

ward off a run on the trust

seen a few collapses among the

investors mostly but it has a hardship provision allowing those who desperately need their money to redeem their

Mr John Kerin, the federal

treasurer, has guaranteed investors that they would be able to withdraw their money

providing small investors with

access to the rush on city com-

mercial properties.

The bubble burst in the late

1980s, shaking mostly the unlisted trusts. Some have

already negotiated a morato-rium on redemption by their unit holders but the shake-out

has brought on the danger of a

disastrous run.
Mr Michael Duffy, the attor-

ney general, said the run had

not come and will now not come, but "who knows how

The freeze is designed to give unlisted property trusts

some breathing space to reor-ganise their property holdings and get themselves listed on

close we had been?"

at the end of the period.

The freeze will affect small

in unlisted property trusts. The move is expected to

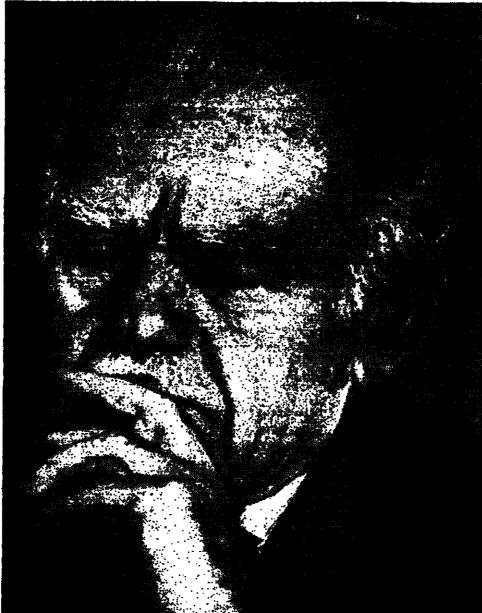
MR Yitzhak Shamir, Israel's said all details must be worked out first and suggested Israel might not meet Washington's call for an answer before the US-Soviet summit in Moscow

next week.
Speaking in Kuala Lumpur,
Mr Baker said the US was working on resolving these dif-ferences but said Israel should give a response "that would speak to other elements of the process. Then we will continue to work on whatever other elements exist, pending the actual convening of any conference.

But Mr Yossi Ben-Aharon, the director-general of the prime minister's office and one of Mr Shamir's closest advis-ers, said Israel needed to know in advance "the full picture" of

who would participate in talks.
He reacted sharply to remarks by Mr Brent Scowcroft, the US national security adviser, warning Israel against using delaying tactics and call-ing for an answer before the Moscow summit. "We asked the Americans not to accelerate because the issues are serious...I wouldn't risk an estimation on dates." The US has excluded the Palestine Liberation Organisation and plans a Jordanian-Palestinian delega-

Mr Ben-Aharon made clear this was not enough. He said Israel would not sit with Palestinians "who are PLO in every way" - meaning leaders from West Bank and Gaza Strip



Shamir: differences over who represents the Palestinians must be overcome before climate is right

Allies consider easing Iraq sanctions

THE US and Britain are prepared to consider a very limited and tightly supervised easing of the United Nations sanctions against Iraq to allow the import of food and medicine, report Peter Riddell, US Editor in Washington and Mark Nicholson.

After speaking yesterday to Prince Sadruddin Aga Khan, the special UN envoy in the Gulf, President George Bush was highly cautious about any relaxation of sanctions but limited softening on sanctions stressed that the US "is not policy follow warnings of the

cent women and children." His remarks came as Mr Douglas Hurd, the British foreign secretary, said in Turkey yesterday that Britain may support a partial lifting of the almost year-old sanctions against Iraq, but only if there were quarantees that money from oil exports would not reach the Iraqi army or mem-bers of the ruling party. The indications of a possible

from the effects of the Gulf war, internal unrest and the embargo itself, highlighted by Prince Sadruddin's report.
The matter will be raised

today at a meeting of the UN sanctions communitiee, which was set up last August to check compliance with the embargo. But British officials said any easing of sanctions would be entirely conditional upon finding a water-tight formula to ensure the money went directly to humanitarian

Mr Bush's comments yester-day at the White House show the US reluctance to relax pres sure on Iraq and its concern to avoid allegations the embargo is starving large numbers of women and children. Stressing no decision had yet been taken, Mr Bush said, "the

UN mechanism is clear in terms of helping children and those who may be threatened with either famine or disease The machinery is in place

tomers have sympathised with her over the difficulty of her job and that most trate callers walk in the street at nig

Few cries of banzai from the securities trenches

Sales staff at Nomura and Nikko brave flak from clients, write Robert Thomson and Michiyo Nakamoto

Nomura Securities branch in the Tokyo district of Ikebukuro are defended by a young and enthusiastic staff. They take the flak from customers angered by the company's compensation of favoured corporate clients, and attempt to encourage those irate customers to invest once more in an ailing Tokyo stock

market. While Nomura's chairman and president have expressed their regret and resigned, sales staff in the front lines are handling a continuing stream of criticism, and branch managers are trying to devise ways of making stocks fashionable again. At Ikebukuro, they are planning a "Restore Investor Confidence" campaign for next month.

The problems are the same at the central Tokyo office of Nikko Securities, where sales staff last week were given a motivational lecture by their section chief and told to ring as many of their clients as pos-sible that day to apologise for the company's improper behav-

"I apologised personally to my customers, and said that Nikko Securities was very sorry for having caused distur-bances in society. I called about 50 or 60 people," a 24-year-old Nikko saleswoman said. She has about 480 regular telephone clients, and is expec-ted to cold-call a few potential

customers each day.
"Since the scandals started I
haven't made calls to new clients. I'm a bit embarrassed and ents. I in a bit entoarrassen and nervous. It's not easy to call somebody you don't know and say you are from Nikko and ask them if they want to buy shares. I know I have to do it, but it's a hit difficult." She said that some old cus-

are outsiders. Nikko's public relations division received a call from a man who warned staff "to take care when you while an extreme right-wing group last Friday drove a van into the front window of a Nomura branch.

Most individual investors had realised long ago that they were not treated as equals with large corporate clients by the brokers. The Big Four houses, Nomura, Daiwa, Nikko and

pensating clients for Y128.3bn (5573m)kn securities losses, but the total compensation figure of all companies by all brokers is generally thought to be far higher.

Individuals who played the stock market during the price

surge two years ago were aware of gangsters' fondness for stock trading and price manipulation, and some small punters attempted to go along for the ride on ramped and cor-nered stocks. However, those who put their money into stock investment trusts, which rely on the brokers' good faith in choosing and trading stocks,

have more reason to complain.
S.G. Warburg Securities
reckons that stock unit trusts
are 96 per cent held by individuals and, at the end of May, they were showing a net loss of Y2,100bn on a par value of Y26,400bn. The Nikkel stock market average remains 40 per cent below the level of January last year, and there is little evidence that the market or the value of individuals' holdings will rise significantly.

Staff find it difficult to show enthusiasm while they are still uncertain if another scandal will be surfacing

Japanese investors have generally focused on the share price rather than the dividend yield, as dividend levels have fallen for eight out of the past nine years, and James Capel Pacific calculates that the present yield on the Nikkei index is about 0.68 per cent. Nomura itself is offering

fixed-income investment trusts yielding 7.36 per cent, so there is not much incentive to buy

Ownership and trading of stocks by individuals has been in relative decline over the past two decades. Individuals' share, by value, of stock own-ership has fallen from 32.1 per cent in 1975 to about 20 per

fallen from 30 per cent five years ago to 24 per cent this

year.
The Ikebukuro branch of Nomura has noticed the difference. Mr Yoshihara Fukui, head of the investment consulting section, said that his 23 sales staff were unable to take lunch breaks when share prices were surging two years ago. He reckoned that 1,200 people would walk into the branch to check share prices, have a chat or make an invest-ment during those busy days.

"Now we get 700 to 800 peo-ple coming in, and maybe 200 of them will do some sort of business," Mr Fukui said. At Nikko's head office, a saleswoman of four years' experience said her emotions

could be measured by the Nik kei stock index. When the market was on the rise, she was pleased that her company and her customers were profiting. Now, she senses that "our customers was that the sense that "our customers was the sense that the sense

need to be treated with com-passion and they need to be assured of our sincerity". Sincerity is a serious prob-lem. The brokers had hoped that there would be a quick return to business as usual, but the scandals are still seeping out, and staff at severa Japanese securities houses expressed disappointment at the lack of leadership shown

by their executives.

The surprise resignation on Monday of Mr Setsuya Tabuchi, Nomura's chairman, and the emergence of details about medium and smaller brokers' compensation of select clients shows that the scandals have not yet been shut down.

Japanese workers have just received their summer bonuses and, at this time, brokers traditionally run high-profile advertising campaigns. This year has been different. There is a general mood of restraint while Nikko and Nomura were forced to suspend marketing activities for four days as punishment for lending by their affiliates to

gangster groups.

A Nikko saleswoman said that she genuinely believed the market is ready to rise, but she is frustrated that her long-time clients have lost confidence: "I really want them to invest because I truly believe we have reached the bottom. I want them to make money. I don't

Sacrifice of India's sacred cows

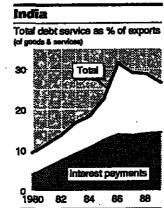
K.K.Sharma on the deep cuts expected in today's Indian budget

HE recurring nightmare of Dr Maumohan Singh, the finance minister, that India will default on its external debt repayments is probably over but bad dreams will continue to haunt him until the International Monetary Fund signs a long-term

The minister has moved briskly towards achieving this. Indeed, so fast have reforms and policy announcements come since the P.V. Narasimha Rao minority government took office just over a month ago that most Indians are finding it difficult to digest them.

The 20 per cent devaluation of the rupee a fortnight ago has been followed by a dismantling of the labyrinth of foreign trade controls. Deregulation of industrial policies is just around the corner. The reforms are sweeping. Yet Dr Singh will not get his

IMF loan unless much more is done to restore international confidence that the government will take the "hard deci-sions" now that "soft options are over". Dr Singh will attempt this today when he presents the government's annual budget to parliament. The budget was postponed from last February under Congress pressure because of the approaching elections. Many, drastically reduce the Rs110bn



including the finance minister, believe the cause of India's curponement, since this delayed urgently-needed reforms and allowed the economy to drift. Dr Singh's task is easy to state but difficult to carry out. The government has long been living beyond its means, because of excessive internal and external borrowing. It has promised the IMF that it will reduce the fiscal deficit from last year's 8.3 per cent of GDP to 6.5 per cent in 1991-92. This is the most basic of the "structural reforms" that are part of the deal with the IMF. For Dr Singh it means he must (£2.5bn) deficit. He can do this only by raising taxes and slashing government expendi-ture, but Dr Singh must tread carefully if these are not to

hamper industrial growth.
In any case realisation of additional revenues at higher rates in the remaining eight months of the fiscal year cannot add substantially to the government's income.
Inevitably, the finance minis-

ter will have to take a hard look at government expendi-ture and carry out the IMF-mandated reforms. He has already given ample hints where the axe will fall in the pre-budget economic survey

published last weekend.
It spoke for the first time of the need to cut defence expen-diture. This has been a sacred cow since India was defeated in the border war with China in

so-called nationalists in all parties will oppose "excessive" defence cuts and most observcent in real terms.

ers think he can at best get away with keeping this to pres-ent levels, which would mean reducing it by around 10 per Dr Singh has made no secret that he plans to cut subsidies. The 20 per cent devaluation has already enabled the gov-

dies and the axe is now expec-ted to fall on food and fertiliser subsidies, both of which are politically sensitive.

An equally sensitive and radical change would affect food subsidies, which are expected to be confined to the poorest sections of the population, no matter how heavy the political

Similar cuts can be expected on the fertiliser subsidy, now Rs70bn.

For political reasons, Dr Singh will also have to tread carefully when he deals with India's huge public sector enterprises and their mounting

The government has so far said little of plans for privatisa-tion, even though this would be welcomed by the IMF. The interim budget presented last March provided for Rs25bn in revenues through sales of equity in some state-owned enterprises but this is far from embracing outright privatisa-

Dr Singh has repeatedly spo-ken of "hard decisions." He has already taken some of them, attracting considerable flak in the process. Today's budget could well put the government to its most crucial political

New leader for opposition

JAPAN'S largest opposition group, the Social Democratic party, yesterday chose a new chairman, Mr Makoto Tanabe, after an election that showed the party's members are deeply divided over moves to embrace European-style social democracy.

Mr Tanabe, 69, will replace Miss Takako Dol, who led the party to success in an Upper House election in 1989, but has since fallen out of favour

since fallen out of favour because of her inability to steer a reform programme between a well-organised left wing and a more numerous right.

One of the more superficial reforms has been a change of name in English from the Japan Socialist party to the Social Democratic Party of

Japan. The name remains the forward to a long and bitter same in Japanese.

Mr Tanabe, regarded as a pragmatist, wants to introduce policies that would make the

party a genuine alternative to the ruling Liberal Democratic party.
Those voters are intimidated by the orthodox Marxist tone of some party statements, and

by a foreign policy that appears to threaten the US

relationship and calls for the abolition of Japan's military forces.

Before the in-house election,

which lasted two days, party members said that if Mr Tanabe's opponent, Mr Tetsu Ueda, a left-wing representative opposed to reform, collected more than 30 per cent of the votes, the SDPJ could look

argument over the proposed changes. But Mr Ueda received 43.95 per cent of the 85,755 votes cast, and his followers warned yesterday that the right wing will have to struggle to get even mild reforms approved next week at an extraordinary party congress, at which Mr Tanabe will be formally installed.

Support remains for Miss Doi, and both Mr Tanabe and Mr Ueda had suggested she be made an "honorary chairman", as neither wanted to be seen as pushing her out of office. Miss Doi resigned last month to take responsibility for the collapse of her party's popularity, highlighted by a disastrous result at local elec-

State of emergency in Madagascar

MADAGASCAR'S President Didier Ratsiraka, under pressure to quit after 16 years in power, declared a state of amergency in the capital yesterday, moving armoured cars into the city centre and ringing government offices with guards, Reuter reports from Antananarivo. He imposed a night curfew on Antananarivo and its suburbs – site of more than six weeks of largely peaceful protests organised by the Active Forces coalition of government oppo-

nents who want a new, non-socialist constitu-tion. Security forces are empowered to search

restrict the movement of people the government believes to be a threat to public order. Despite fears of a violent crackdown on dem-onstrations, about 300,000 protesters gathered in a central square of Antananarivo yesterday to await the reaction of the opposition. Leaders of the Active Forces were meeting to discuss the

latest developments, opposition sources said.

Mr Victor Ramahatra, prime minister, said in
an interview on state radio earlier that the government could control the press, ban meetings and close meeting places under strict legislation passed earlier this month.

De Klerk is outflanked by the warriors of apartheid

Pretoria's security police have undermined government credibility since the reform process began, writes Patti Waldmeir

political problems.

"In the past, you have been asked to handle situations that had nothing to do with ordinary crime. Cir-cumstances have changed and we have reviewed our definition of

crime," he told them.

After the revelations of the past few days in South Africa, showing clear evidence that security police have actively worked to weaken the African National Congress (ANC), one can be forgiven for asking whether South Africa's policemen were listening to their presi-dent – and ultimately, whether Mr de Klerk meant what he said.

Certainly, the speech sounded persuasive at the time. In an emotional

RESIDENT FW de Klerk's message to senior South African police officers in January 1990 firmly stated that security forces would no longer be used to fight the ideological battles of apartheid. Political solutions would be sought for what were obviously political mobilems.

address which Mr de Klerk says he made "from the heart, without a note", he warned that the alternative could be race war. "If this Armative could be race war. "If the alternative could be race war. "If this Armative could be race war. "If the alternative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative could be race war." If this Armative could be race war. "If this Armative before the shooting started."

It was taken as one of the first signs that the new president had abandoned the "total strategy" conceived by Pretoria to oppose what the ruling National Party saw as the Soviet-inspired "total onslaught" against it. For years, the strategy had permitted everything from against adventuries to tempolis

regional adventurism to township atrocties on a grotesque scale. All that was to have no place in the new South Africa. The hated National Security Management Sys-tem, which pursued counter-revolutionary warfare in the townships through a combination of coercion and co-option, was dismantled: the State Security Council, the body at

THE personal assistant to Chief the mainly Zulu Inkatha Freedom the mainty Zum meanta rrections party, has resigned after taking full blame for accepting funding from the South African government, an apparent attempt to deflect criticism from the Inkatha leader, writes Patti Waldmeir.

Mr M.Z. Khumalo said he had personally accepted payments of the apex of this system, was to be

downgraded and proper cabinet con-trol over the security establishment

Undoubtedly, some of this has succeeded. The dominance of the so-called "securocrats" over the civilians in former President P W Botha's government has been bro-ken. Cabinet now has the confidence to ignore or reject recommendations from the State Security Council - something which almost never happened under Mr Botha. But,

R250,000 (\$87,000) from Pretoria, without informing Chief Buthe-lezi. Inkatha said last night it would refund this sum to Pretoria.

Given Chief Buthelezi's autocratic personal style, and the relatively junior position of Mr Khumalo, the latter's resignation seems unlikely to convince critics of Chief Buthelezi's innocence.

opposition Democratic Party member of parliament who is an expert on security matters, "the agenda remains fundamentally the same as it has always been - to defend Christian democratic values against

the nasty communists". Far more serious, though, are the activities - apparently freelance - of some members of the security forces. Over the past few weeks and months, numerous individuals have furnished hearsay accounts

Meanwhile, the South African cabinet cabinet last night com-pleted a two-day special session believed to have been dominated by the issue

Mr F.W. de Klerk, president, said after the meeting that he would make a full statement on the matter next Tuesday, after holding further meetings over the weekend.

alleging security force involvement in assassinations of anti-apartheid activists and members of the ANC. A former South African army sergeant says units of the Special Forces regiment were actively involved in the township killings of the past year. Even after the recent disclosures, no one wants to believe that President de Klerk himself has authorised any such atrocities. Mr Selfe points out that whereas in a normal western democracy, security policy is

made at the highest levels and fed

know basis, in South Africa local security force personnel act largely as they see fit. "A culture of violent retribution and extra-legal punishthe SAP (police)," writes Mark Phillips, formerly a researcher into

The police have been asked to turn from ideological warriors into ordinary policemen overnight. Many have proved unable or unwilling to make the transition.

Mr de Klerk must now force that

transition on them. He no doubt fears that sacking senior police and army officers would harm security force morale even further. But security analysts believe it is unlikely that sackings, (including the possi-ble removal of the ministers of law and order and defence) would jeopardise the government's future. The greatest threat to that comes from failing to restore a culture of law



AMERICAN NEWS

Brazil suspends IMF talks in negotiator row

of the reported remarks over

the weekend, while he was still

in Mexico attending the Iberian summit. Mr Fajgembaum, an

Argentine, said the incident

It is not yet certain what the

long-term repercussions will be for the IMF talks. "I think we'll

have to wait and see," said a Ministry of Economics spokes-man. "It's still too early to tell."

much at stake for this to seriously impact the negotiations," said Mr Riordan Roett, head of

Brazilian Studies at the Johns Hopkins School of Advanced

International Studies. Mr Roett

believes that President Collor had to react to the Mr Fajgem-

baum's comment, for domestic

political reasons: "If he hadn't done anything, Brazilians would have thought that he

was selling out to the IMF." Brazilians have been sensi

tive about negotiations with

the IMF since the 1980s, when hundreds of public demonstra-

tions protested the organisa-

tion's interference in the Bra-

zilian economy. The IMF mission in Brazil is waiting for

Britain says talks on Falklands

sovereignty 'out of the question'

tions between the two coun-

tries for years. Before the Argentine inva-

sion, London and Buenos Aires

had been involved in discus-

sions on possible future arrangements for the Falk-

lands. "Whatever may have

been possible then, Argentina,

by its clumsiness, has put out of court. I can't see any pros-pect of returning to the pre-1982 situation," Mr Garel-Jones

The minister referred to the commitment by Argentine President Carlos Menem, when

he took office in July 1989, to

place the dispute over Falk-

lands sovereignty under a dip-

"I think both sides have too

was a misunderstanding.

THE BRAZILIAN government has suspended its negotiations with the International Monetary Fund (IMF) in a row over remarks allegedly made by Mr José Fajgembaum, the Fund's chief negotiator with the coun-

ry. President Fernando Collor has demanded that the IMF replace Mr Fajgembaum with a new negotiator. All meetings scheduled between him and the Brazilian government have been cancelled.

The row erupted last week when Brazilian journalists reported that Mr Fajgembaum had said Brazil would have to alter its constitution if it wanted the \$2bn (£1.2bn)
extended fund facility it was
seeking from the IMF.
Mr Fajgembaum said the

government should eliminate a constitutional law guarantee-ing individual states a share of federal tax income. According to the reports, he said inflation in Brazil could only be beaten with a reduction in the federal

President Collor angrily retorted that the negotiator should "put his own house in order". The president was told

TALKS BETWEEN Britain and

ereignty of the Falkland Islands (Malvinas) are "out of

the question". Mr Tristan Gar-

el-Jones, British foreign office minister, said in London yes-

of the Diplomatic and Com-monwealth Writers' Associa-

tion there could be no return

to the situation before 1982,

when Argentina invaded the

It was one of the toughest

statements made recently by a

member of the British govern-

ment on the sovereignty ques-tion that has bedevilled rela-

Falklands.

Mr Garel-Jones told a lunch

By Robert Mauthner, Diplomatic Editor

White House aide warns on credit

By Michael Prowse in Washington

RESTRAINTS on the supply of credit are the single biggest threat to US economic recovery, Mr Michael Boskin, the chief White House economist, told a Congressional commit-

He said that the Federal Reserve's "wait and see" stance on interest rates was acceptable to the White House for the time being. However, if monetary growth did not speed up, further reductions in rates would be desirable.

Mr Boskin said the Bush administration had sought "safe, prudent" regulation of financial institutions, but the pendulum had swung too far towards restriction. He was frustrated that regulators were still imposing excessively stringent standards. The "credit crunch" had not eased and was posing serious prob-lems for small and medium-sized companies.

Mr Boskin said the recession

appeared to have ended during the second quarter of this year, but the strength and duration of the recovery remained uncertain. He anticipated a return to more solid growth later this year and sus-tained expansion beginning in 1992, with inflation and long-term interest rates set to fail.

lomatic "umbrella". This was

interpreted as meaning that it would be given a lower priority in Argentine foreign policy.

Diplomatic relations between

Britain and Argentina were restored last year and, earlier this year, relatives of Argen-

tine servicemen buried on the

islands were allowed a one-day visit to the Falklands.

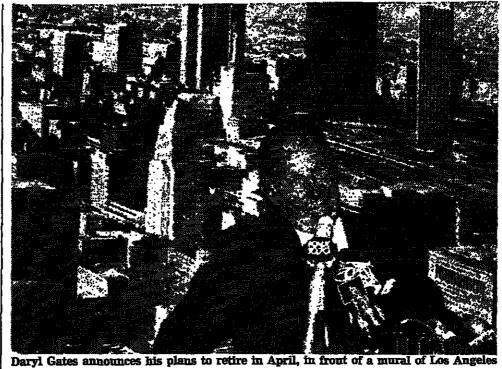
However, an appeal to restore direct links between

Argentina and the Falklands, made two months ago by Mr Mario Campora, the Argentine

ambassador to London, has fallen on deaf ears. Before the

conflict, an air service linked

the islands and Argentina.



LA police chief bows to brutality claims

By Peter Riddell, US Editor, in Washington

MR DARYL GATES, the recorded in computer mea-embattled chief of the Los sages. The report urged Mr Angeles police, has bowed to the controversy over alleged brutality in his department by announcing his retirement from next April, provided a replacement has been found.

The conduct of Chief Gates and his department has been at the centre of a national debate for the past four months after a videotape of the beating of a black motorist by several white police officers was shown on television.

An independent commission headed by Mr Warren Christo-pher, a former deputy secretary of state, earlier this month sharply criticised the depart-ment for tolerating racism and brutality by officers, as vividly

sages. The report urged Mr Gates to step aside. An unrepentant Mr Gates, who will have served 14 years as chief by next April, announced his decision in an emotional videotaped address

to officers. The city's police commission backs the changes suggested in the Christopher report, involv-ing more community policing, psychological tests for officers and tougher discipline of bru-tal members of the force.

tal members of the force.

The Gates affair has highlighted the chief's conflict with
the city's long-serving black
mayor Tom Bradley and white
middle-class fears about the
high level of violence in the

Fed hawk takes aim against inflation

Michael Prowse discovers a Bundesbank soul-mate along the shores of Lake Erie

R LEE Hoskins, the president of the Federal Reserve Bank of Cleveland, would not be out of place in the Bundesbank Born in Los Angeles in 1941, he has not personally experienced the horrors of a collapsing cur-rency. But he hates inflation with a truly Germanic zeal.

Since taking the top position at Cleveland in 1987, Mr Hoskins has become one of the most vocal of the "inflation hawks" on the US Fed's policymaking open market commit-tee. In February, when the recession was in full swing, he was already preaching caution. Lowering interest rates further, he suggested, would not necessarily be the right response to a slowdown primarily caused by higher oil

prices.
Sitting in his rather grand office (Cleveland is one of the few regional Feds to retain its original building), Mr Hoskins takes exception to the adjective "hawkish". He argues that his views on inflation are in line with those of policymakers throughout the western world. It is only the US or, more accurately, Washington, that has resisted the trend towards greater emphasis on anti-inflationary policies.

"is with a view of demand . management that was preva-lent in the 1960s." Many Keynesian economists then claimed the existence of a longrun trade off between growth and inflation. Countries could choose faster growth and

higher employment at the expense of higher inflation.
Mr Hoskins finds it ironic that US politicians are almost alone in still believing demand management is possible when it was primarily American economists, such as Professor Militon Friedman, who under-mined the economics profes-sion's faith in fine tuning.

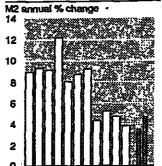
With the money supply growing at an annual rate of only about 4 per cent, Mr Alan Greenspan, the Fed chairman, etary policy in order to accelerate economic recovery. Most forecasters expect growth at an annual rate of only 2-3 per cent over the next few quarters. In the first year of most previous recoveries, growth has

exceeded 6 per cent.
Mr Hoskins strongly opposes further easing. "What is a normal recovery?" he asks. In previous upturns, he argues, the Fed pumped a lot of money into the system. That increased growth in the short run but also created inflation. He says a normal recovery should be defined as one that is non-inflationary; growth of 3 per cent or less would thus be normal. "I would like monetary

growth brought down to a noninflationary rate of 2-3 per cent", he says. The best way to achieve this, he says, would be to lop the top off the current 25-6.5 per cent target band for M2, the most closely watched measure of broad money. Last week Mr Greenspan rejected a tightening of monetary targets, claiming that maximum flexibility was needed given the uncertain outlook for the real

Mr Hoskins, a former director of research at the Philadel-phia Fed, says he is not a rigid monetarist. He is not wedded to monetary targets such as M2. He regards this as merely "a tool to get at the ultimate objective, which is eliminating inflation." However, he concedes that the volatility of the velocity of money (the fact that the speed with which it changes hands can vary) complicates the use of strict mone-

tary targets. He is broadly content with the recent conduct of monetary policy, arguing that the Fed has been more committed to inflation reduction since Mr Greenspan took over in 1987. **US** monetary growth



But he points out that the Fed's tendency to announce interest rate cuts immediately following bad economic news such as falling employment
 has only reinforced the misconception that it is able to

1980 82 84 86 88 90 91*

In Mr Hoskins' view, the only good justification for interest rate cuts during the recession was to revive flagging monetary growth.

In a stream of yellow-edged Cleveland Fed policy papers, Mr Hoskins has tried to promote the goal of "zero infla-tion." He accepts that most

Americans seem content with

steady inflation of 4-5 per cent

a year, but argues that the Fed must "adopt a leadership role" and try harder to convince people that even low inflation seriously distorts the allocation of resources. The difficulty, how-ever, is that few academic studies indicate that low, steady rates of inflation do pose an economic threat.

Mr Hoskins is undeterred. He will continue to campaign for a change in the Fed's objectives. At present it has a variety of goals, including maximum production, stable exchange rates and price sta-bility. Mr Hoskins believes the attempt to serve several mas-ters compromises its ability to serve any. He says the Fed can-not influence production except temporarily; and be regards intervention in currency markets as foolbardy. The Fed's mandate should thus be changed to make price stability – or zero inflation –

its primary objective. An hour with Mr Hoskins leaves one convinced that doubt has no more place in his intellectual universe than in Mrs Margaret Thatcher's. Inflation is the enemy and it must be killed – stone dead. It seems almost a shame that his crusade attracts so little interest on Capitol Hill, Wall Street

"My disagreement," he says, **WORLD TRADE NEWS**

EC sends Japanese car deal to member states

By David Buchan in Brussels

THE European Commission has finally turned to EC gov-ernments for their approval of the deal negotiated with Tokyo on future Japanese car imports into the Community.

In a bid to end two years of wrangling over transitional EC limits on Japanese car imports, Mr Gian Luigi Giola, a senior Commission official, briefed EC ambassadors on Monday about the deal and asked for reactions as soon as possible.
The Commission has tried to

keep negotiations secret to minimise differences between the Twelve and not to draw attention to import curbs ques-General Agreement on Tariffs and Trade. For these reasons, it is not seeking a formal vote of approval. Nevertheless, Brussels has been publicly crit-icised by France for being too soft, and by Britain for being too tough, on the Japanese. The need for an EC-wide pol-

THE SLOVAK government

announced yesterday it would finish building the controver-

sial Gabcikovo-Nagymaros dam on the Danube despite

Hungary's demand that the

ecologically damaging project

tion on the joint project two

years ago following pressure

Both Hungary and Czecho damage had already been done slovakia had stopped construction

be abandoned.

Car exports to EC (million)

1975 80 85 90 icy on Japanese cars imports stems from the planned disappearance, by end-1992, of customs checks within the EC. Five EC states - France, Italy, Spain, Portugal and the UK - will thus no longer be able to maintain separate national restrictions on imports.

Slovakia to finish dam project

from the countries' ecological

movements who claim that the

underground clear water

source and the site's wildlife will be irretrievably lost.

said at a government session

yesterday that considerable

would only compound financial

losses aiready incurred.

But the Slovak authorities

The deal's outline now seem

 A limit on Japanese car imports of 1.2-1.3m a year dur-ing a transition period from the start of 1993 to end- 1999. This means no further growth until the end of the century in the number of car shipped directly from Japan, (1.25m last

year).

● A declaration by the EC recording its "understanding" that the number of Japanese cars made inside the EC, which totalled 260,000 last year, would not rise to more than 1.2m a year by the century's end. Brussels is sticking to its promise to the UK - the main EC centre for Japanese car making - that the sale of ECmade Japanese cars would not be restricted.

• EC and Japanese officials to

meet every six months to review the EC car market and whether imports should be

"Finishing it is the only sen-

sible thing left to do given that

it is already nearly completed," said Mr Ivan Tirpak, Slovakia's environment minister.

crowns) (£389m at the commer-

cial rate) has already been

spent since construction was

started in the late 1970s by the

Czechoslovak and Hungarian

Over 20bn koruna (Czech

Brazil opens Gatt farm talks await the politicians its telecoms sector to US investors

By Victoria Griffith in São Paulo

BRAZIL has opened the way to US investment in its telecommunications sector with the creation of a bilateral telecom-munications organisation.

The group's mandate, according to the Ministry of Infrastructure, is to "accelerate private investments in telecommunications". The move follows a decree signed by President Fernando Collor de Mello last week ending the state monopoly in the sector. Telecommunications has long been considered the jewel in the crown among Brazil's public companies and the government hopes US investments

(£594m) next year, more than total foreign investments in Brazil in 1990. Already, big name telecommunications groups are busy hawking their wares in Brazil. AT&T, together with Sid Informatica of Brazil, has clinched a

deal to provide \$10m in switch-

in the market will reach \$1bn

ing equipment.
The Brazilian constitution prohibits the privatisation of public utilities but the government has been getting around that rule by contracting out supply, installation and operations to domestic and foreign firms. Foreigners will be allowed a 49 per cent share in joint ventures to run the soonto-be-privatised mobile phone systems, BellSouth, Stet, Motorola, NEC, and IBM have already declared their interest in the mobile phone market.

By William Dullforce in Geneva

URUGUAY Round negotiators have made progress in the last two weeks in preparing the ground for crucial political decisions on the reform of world farm trade and the liberalisation of trade in services. trade officials said yesterday. But, they added, it is now clear that Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), will not attempt to break the deadlock in agriculture by tabling his own pro-posal until after the summer. This means the call from Mrs Carla Hills, US Trade Representative, for governments to agree by end-July on the mechanisms to be used to reduce farm subsidies will not be met. It also means a further contracfulfil the declaration by the leaders of the Group of Seven industrial countries at their London summit that the Uru-guay Round should be success-

the year.

Mr Dunkel, who now chairs the farm talks, is understood to have returned from a visit to The Hague last week with the impression that the European Community was still not ready Community was still not ready to budge on the farm issue. The Netherlands currently holds the EC presidency. Reporting yesterday to the

fully completed by the end of

group negotiating on agricul-ture on his informal consulta-



Arthur Dunkel: agriculture proposals delayed

used in cutting farm subsidies ening acceptance that the prin-ciple of tariffication should be applied in curbing border proection. Under tariffication, advo-

cated by the US and the Cairns Group of 14 farm-exporting countries but resisted by the EC and Japan, all border restrictions such as import quotas or the EC's variable levies would be converted into customs duties and then reduced.

In the domestic farm support area further progress had been made in defining "green box" policies which would be exempt from reduction. A dis-

between direct payments to crunch decisions." farmers, which do not boost production, and government support for research, development and marketing.

It is agreed that the Aggregate Measure of Support (AMS), proposed by the EC as a basis for the reductions, should play a role when cutting domestic supports but, dele-gates said, there had been strong resistance to the EC's wish to use an AMS in the border protection area as well. In abating export competition, a generic definition of what constituted an export

subsidy together with a list of the practices that would be subject to reduction appears to be emerging as the most pragmatic approach, according to Mr Dunkel. But differences persist on whether cuts should be made

to budget outlays, to export volumes or to a combination of these. Nor is there agreement on a freeze on export subsidies to prevent them being extended to new products or markets.

Technical work in Geneva was intended to contribute to political decisions which were urgently needed, Mr Dunkel said. One delegate commented that, while EC officials were participating in discussions, it is evident that they are determined to put off as long as possible the day on which they will have to get down to the

In the services talks the outlook is brighter, thanks to a new approach to some countries' insistence on having sectors exempted from Gatt's Most Favoured Nation (MFN) rule which states that trade benefits granted to one country must be available to all other countries.

The US wish to exempt shipping and telecommunications has been a central stumbling block to completion of an agreement on services. The US maritime lobby, in particular, is fighting to retain its right under the Navigation Act to have unilateral US sanctions imposed on countries that it considers misbehave over ship-

ping rights. Now it has been suggested that countries should describe measures they want exempted-from the MFN rule in terms of concrete governmental actions and not as measures taken under the provisions of domestic legislation which would not conflict with Gatt rules until

implemented. This formulation could let the US of its hook. Signifi-cantly, trade sanctions have never been applied under the US Navigation Act.

Countries, it is proposed, should inform the Gatt secretariat by September 20 of the exemptions they will seek

Bush confident on China MFN battle

By Nancy Dunne in Washington

PRESIDENT Bush yesterday predicted that he would prevail in the US Senate in a looming veto battle over legislation which would grant China another year of Most Favoured Nation (MFN) trade status but which would also impose heavy conditions on its subsequent renewal.

The Senate entered its second day of debate over legislation, backed mostly by Democrats, which would cut off China's MFN status immediately if it sold ballistic missiles to nations the US considered dangerous. In addition, China would lose MFN status in a year if it failed to "make reasonable progress' on human rights, improving access for US goods and signing nuclear proliferation agreements. Similar legislation has already passed the House by a margin strong enough to

override a veto. Early voting indicated that the White House can produce the 34 out of 100 votes needed to sustain the president's veto. An amendment by Senator Jeff Bingaman a New Mexico Democrat, directs the president to work actively with US allies to restrict technology transfers. It passed by vote of only 55-35.

While congressional Democrats may fail in this attempt to place conditions on China's MFN status, they have succeeded in forcing Mr Bush to reappraise his China policy and to commit himself to being tough on arm sales and trade. The president promised to take strong action if talks next month with the Chinese on market access fail to produce results.

Regarding Taiwan, Mr Bush seemed to

reverse administration policy on the country's admittance to the General Agreement on Tariffs and Trade. Instead of waiting for China's prior entry, the president agreed to "work actively with other contracting parties to resolve in a favourable manner issues relating to Taiwan's Gatt accession." The administration will "seek to have the Chinese government take steps on trade reform so that China's Gatt application can advance."

The president also promised that if China did not make "real progress" in talks on intellectual property rights,

"trade action will follow." Additional action will also be forthcoming on filegal Chinese textile shipments through third countries "if China does not exert effective control,"

With the list of presidential concessions in hand, senators have been left to dehate the wisdom of pressing China too hard. Senator Max Baucus, chairman of the international trade sub-committee, warned of China's history of "resisting foreign interference" in domestic affairs. foreign interference in comestic subsus-"The steps that the administration is now taking with regard to China are long overdue. But they are now being taken."

Senator Lloyd Beutsen, the influential chairman of the Senate finance committee, warned that US actions today would lay a foundation for the future.

China can become another Japan, exporting behind a closed market, he said We cannot afford to take a hand's off

Future conditional: US trade relations

S American states agree on harmonisation

By John Barham in Montevideo

THE FOUR member countries of Mercosur, the South American common market, have decided to work towards common anti-dumping, investment and intellectual property policies and to reduce rapidly nontariff barriers to regional trade, particularly in fresh food and pharmaceuticals.

However, the economy ministers from Argentina, Brazil, Paraguay and Uruguay said their informal discussions of broader economic issues at last Saturday's mini-summit in Montevideo were more valuable than the meeting's relatively modest advances in

trade liberalisation. The four countries created the Southern Cone common market in March, pledging to eliminate internal trade obsta-

cles by 1995. Exchange rates, inflation rates, growth rates and tariff structures, which vary widely at the moment, are supposed to

converge by this date. Conflicts between each country's domestic policies are heginning to emerge, requiring discussion at ministerial level. The Uruguayans, for instance,

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tina subsidises companies under its regional development

Mr Enrique Braga, the Uru-guayan minister, said all com-panies must be put on an equal footing to demonstrate politically that the four are committed to creating a common market that is more than just a mutual lowering of tar-

However, the timing and method of implementation of policy reforms is already affect-ing domestic economic policies. Brazil, by far the region's larg-est market, still has relatively

high tariffs which it is reducing gradually.

Argentina, though, opted for an immediate reduction of its tariffs to an average 9 per cent. Anti-subsidy and anti-dumping regulations are being handled by technical groups, but because the issue is so delicate it requires treatment by ministers to decide on new policies

The ministers also talked about co-ordinating public sector and infrastructure investments, such as interconnecting their electricity and gas netchief bow ty claims

alitician

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THE WELSH ADVANTAGE.

Bank received fraud warning in April 1990

a vague warning and did not demand further investigation,

It was also revealed for the

first time before the committee that the fraud which eventu-ally led to the closure of BCCI

involved "representatives of

the shareholders, the ruler

and government of Abu Dhabi. Mr Leigh-Pemberton said, for

diplomatic reasons, he could not go into further detail. In an affidavit to the High

Court in the UK earlier this week, the government of Abu Dhabi said it had not been

involved in the fraud, and that the Bank of England, at a meeting in Abu Dhabi last

menting on powers contained in the 1987 Banking Act, he said: "We could, if we wanted

to, use those powers to close

ing Act gave the Bank powers

to restrict BCCI's operations if

it wanted, for instance, by ban-ning it from taking new depos-

its. However, this action was

not thought necessary, he said. The UK branches of BCCI

emerged from the hearing as among the most stable of any of its operations. "The branches had not operated

badly. In fact, there could be

This surplus was protected by a "ring-fence" arrangement,

and the most frequent reporting requirements placed on any bank were used to reassure regulators about BCCI's position in the UK.

At one stage, after the bank had been convicted of laundering drug money in the US in 1989, BCCI had to provide the Bank of England with a daily belonge chest although this

balance sheet, although this was later reduced to a weekly one. "It couldn't be said that

the international operations

were, so to speak, milking the UK branches," Mr Leigh-Pemb-

In spite of this, he held out

resuscitated in the UK, or of

UK depositors benefiting from

the strong UK position. It is "just conceivable" that, with

new capital and new manage-

ment, the UK operations could

be reopened, but Mr Leigh-Pemberion offered little hope

erton said.

set surplus," said the gov-

He told MPs that the Bank-

the UK branches."

By Richard Waters

THE BANK of England was warned about possible fraudulent activities at Bank of Credit and Commerce International as long ago as April 1990, Mr Robin Leigh-Pemberton, the Bank governor, told MPs yes-

At a two-hour hearing before the Treasury and Civil Service select committee, Mr Leigh-Pemberton was pressed by MPs from both sides on how it was that the Bank failed to act against BCCI before the international operation by banking regulators to close it down on

July 5.

Though he looked uncertain and nervous at the outset, Mr Leigh-Pemberton gained confidence as the hearing prog-

In an opening statement to MPs, the Bank governor indi-cated that he had first received indications of possible fraud at BCCI in a report from Price Waterhouse, the auditors, in

Price Waterhouse, while reporting on large troubled loans made by the BCCI, had added that "certain accounting transactions had been either false or deceitful." The auditors' report had recommended that the bank set up a provi-sion against possible large

At the same time, Mr Swaleh Naqvi, the bank's chief executive, was sidelined within BCCI and it was clear he would play no part in the institution once a reconstruction then under discussion was completed, Mr Leigh-Pemberton said.

A further report from Price Waterhouse in October said "the previous management may have colluded with major customers to mis-state or disguise the underlying purpose of significant transactions,"

the Bank governor said. This report had a more dra-matic effect on BCCFs management Mr Naqvi and Mr Agha Hasan Abedi, the bank's founder and president, resigned the day after the

report was produced. Mr Leigh-Pemberton said there had been insufficient evi-dence to take stronger action against BCCI at that time. The Bank felt it had done enough by forcing the introduction of new management, together

The governor also dismissed claims that the Bank should have acted on an anonymous letter it received last vear from Mr Vivian Ambrose, a former internal auditor of BCCI who also wrote to a senior minister warning of fraud and corruption. The letter contained only

Branch managers anxious to oversee operations

SENIOR managers of Bank of Credit and Commerce Canada (BCCC) have asked the authorities in Ottawa to appoint the bank's present staff as the govent's agents in the future operations or winding down of the bank, Bernard Simon

writes in Toronto. Mr Omar Khan, the bank's general manager, met Mr John McDermid, minister of state for finance, late last week to discuss the proposal.

Mr Khan said the staff knew more about the bank's liquidation, the Canada operations than anyone else Deposit Insurance Corporation, and should therefore have a hand in whatever was decided. The superintendent of financial institutions has appointed Arthur Andersen, the accoun-

tancy firm, as his agent to oversee the bank's affairs until decision is taken on a winding-up order. BCCC has four branches

with assets of about C\$280m (£142m). More than half its deposits of C\$114m were in foreign currency. Much of its business was trade finance, A C\$21.4m loss in the six months to April 30 was the largest suffered by any of the 55 foreign-owned banks in Canada.

Although BCCC is not yet in which insures Canadian dollar deposits up to C\$60,000, has started paying out some of the bank's depositors on compassionate grounds.

Gokal 'fronted' in attempt to buy US bank By Alan Friedman in New York

THE Pakistani shipping family identified as the principal bad debtor which contributed to the downfall of BCCI tried and failed in 1976 to buy a New York bank because US regulators considered it a "front" for BCCI and were worried that the bank was inadequately regulated.

Mr John Heimann, a senior executive at Merrill Lynch who was the superintendent of the New York state banking department at the time, said he was visited by a Mr Gokal, a Pakistani shipper who was acting as an "intermediary" on behalf of BCCL

According to extracts from a Price Waterhouse report delivered to the Bank of England at the end of June "the principal had debtor was Gulf Group," a shipping business run by Mr Mustafa Gokal and his brothers. The New York state banking commission confirmed last night that the 1976 attempt to buy the New York bank came from Mr Abbas Gokal, a

ber of Gulf Group companies from Switzerland. The Gokal brothers were among the

brother of Mustafa, who runs a num-

Mr Heimann, who went on to serve between 1977 and 1981 as US comptroller of the currency, said Mr Gokal's application to buy the Chelsea National Bank, a small New Yorkbased bank, was turned down.

The reasons were that the bank was not supervised by any single primary regulator and because "it was clear to the New York State Banking Department that Mr Gokal was a representative for, or a front, for BCCL'

"It was a Mr Gokal who came to see me. He was in the shipping business and did not claim to have any banking experience. He said he would be relying on BCCI for advice and counsel," Mr Heimann said in an inter-

Mr Heimann recalls being troubled that BCCI was outside the normal bank supervisory network.

"My own view was to wonder why they didn't have a primary regulator. They might well have something to hide. Merely the fact that they didn't have a primary regulator set off alarm

Mr Heimann said that even in 1976 "was a bank seemingly

shrouded in mystery. While the rejection of Mr Gokal's application to buy Chelsea National was on formal regulatory grounds, the former New York bank supervisor says that there were market rumours circulating to the effect that "BCCI's operations were dicey, that it did

strange things.

In retrospect, Mr Heimann said the disclosure that the Gokal company was BCCI's main bad debtor confirms. his opinion he was a representative and that "we were right not to permit

Shipping line that hit rocks

Richard Tomkins reports on the rise and fall of the Gokal brothers

he story of the Gokal brothers' shipping empire is a rags-toriches story that seems to have turned full circle.

meeting in Adu Dhadi last Tuesday, accepted this claim.

Mr Leigh-Pemberton said action had not been taken against BCCI in the UK at an earlier stage in part because the branches were owned by a subsidiary of BCCI incorporated in Luxembourg. It would have been for regulators there For a time during the 1970s and 1980s, the three brothers were one of the world shipping industry's most potent forces, owning nearly 100 vessels of their own and chartering more have been for regulators there to take action, if they thought fit, he said. However, comships in one year than India and China combined.

Now, the brothers' holding company – Gulf International Holdings – is in administra-tive receivership in Luxembourg, barely 12 vessels remain, and the group's debts are known to have been on such a scale as to have played a significant role in triggering

BCCI's collapse.
The seeds of the Gokal brothers rise to prominence were sown 30 years ago when they moved from their native Pakistan to set up a trading company in Iraq.

For a while, the business flourished. But the revolution

which put Saddam Hussein in power brought persecution for

Kinnock accuses

By Ivo Dawnay, Political Correspondent

at Westminster rose markedly

yesterday with the most fero-cious clashes yet between the

prime minister and Mr Neil

Kinnock, the Labour leader, over the BCCI affair.

used question time to claim

that Mr John Major knew

about "grave irregularities" at the bank in early 1990 and to accuse him of being "utterly

negligent" in his handling of

Mr Kinnock asked: "Wasn't your failure to act on the

knowledge you had a complete

A furious Mr Major responded that the Labour leader was conducting "opposi-

tion by smear in his attacks.

"If you are saying I am a liar, you better say so bluntly," he

The exchanges appeared to

be at least partially at cross

purposes. Mr Kinnock, quoting

Hansard, was attempting to pin the prime minister to his (Mr Kinnock's) claim that Mr

Major had been aware in early

1990 of widespread irregulari-

Mr Major would only con-cede that "the first I knew of

serious banking irregularities

was on June 28, last month". There seems little doubt

from the testimony of Mr

Robin Leigh-Pemberton, gover-nor of the Bank of England, to

the Treasury and Civil Service

committee yesterday, that the prime minister would agree that he knew when he was

chancellor about the early 1990

dereliction of duty?"

Amid scenes of uproar on

PM of negligence

wealthy foreign merchants. Their elder brother was hanged and the three survivors Mustafa, Abbas and Murtaza fled to Europe. Initially they

ing activities. But on the back of two vessels which they had been using to transport their own cargoes, they made their move into shipping with the launch of Gulf Shipping Lines The business sounded unglamorous. It was essentially a

carried on their general trad

tramp shipping operation, transporting dry bulk cargoes such as grain, cement, fertilisers, sugar, timber products, coal, and ores such as iron and But by adopting an aggres-

sively entrepreneurial stance and specialising in parts of the world which other companies were not so interested in - Bangladesh, India and Pakistan, for example - the busi-

By 1975 the brothers were controlling a fleet of at least 240 vessels, 97 of them owned outright and the remainder

case involving BCCL
The governor also said he had spoken with Mr Major

about the BCCI restructuring

plan of April 1990 and of other

aspects of the bank on other

have served have been aware

that it [BCCI] might cause us difficulties and I have assured

them I would keep them informed about irregularities that might cause difficulties or

Mr Leigh-Pemberton never-theless insisted that evidence

of a fraud big enough to neces-

sitate closure of the bank only

emerged last month. It was

then that he told the prime minister and the chancellor of

fraud that justified revocation (of BCCI's banking licence) had been found," he told the com-

mittee. Up until June 28, he said neither Mr Major nor Mr

Norman Lamont, the current chancellor, had seen the earlier

Price Waterhouse reports of

October and April 1990 that

Nicholas Budgen MP, he stressed that the decision to

close the bank lay with him,

under the authority of the

dence appears to corroborate the implied responses of Mr

Major and Mr Norman Lamont,

the current chancellor, that

they knew nothing of the huge

fraud unravelled in Price

Waterhouse's June 1991 report.

No appointment has yet to

be made to the Luxembourg-

based holding company - even

Mr Leigh-Pemberton's evi-

banking acts.

Under questioning from Mr

pointed to serious problems.

Up till then no evidence of a

his decision to act.

He said: "All chancellors I

occasions.

chartered. They were making their mark on the shipping industry and were beginning, albeit grudgingly, to be accepted in it.

But former employees tell how the Gokals then started using the shipping operations as the basis for diversification into a range of other activities including hotels, property and

"They were into everything they could lay their hands on,"

"At one stage they had cor-nered the market for tinned mushrooms in South Korea and tubed garlic paste in Australia, while in Britain they were selling basmati rice out of the back of ice cream vans in Southall "

Former employees say that, although an expensive mistake was made in the late 1970s when the Gokals ordered four new vessels from a Brazilian shipyard at the top of the market, the shipping side of the business was generally run

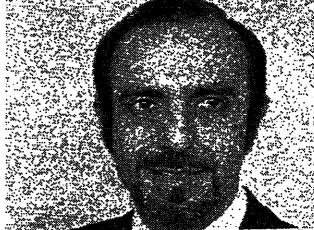
What led to the group's

most damagingly, they claim, the brothers' diversification into futures trading in the commodities and foreign exchange markets. One employee claims the group was almost brought to its knees in 1979 when it incurred substantial losses on oil and gold trading and failed in an attempt to recover them in the money Then one day Abbas Gokal

of the funds generated by shipping to finance other activities

went away for the weekend and came back on Monday morning with a massive new injection of finance," the employee says. "It's for you to speculate where it came from." News of the Gokals' links with BCCI has come as no surprise to those who knew the company. "Most people knew they had associations with BCCI going back many years and at one stage they were regarded as having some sort

of shareholding in the bank," says an ex-employee.
"They were a very big name



Mustafa Gokal: an aggressively entrepreneurial stance in Pakistan and BCCI was founded by a Pakistani, so it would have been more surprising if they were not associ-

Employees speak with respect, even affection, of the Gokals. They say that, although sometimes criticised in shipping circles for their penny-pinching business approach, they are quiet, polite and honourable men. Mr Mustafa Gokal, the elder

of the brothers, is a devout Moslem who was once a personal adviser to the late president Zia ul-Haq of Pakistan.

Untangling the events which led to the group's indebtedness to BCCI is likely to present investigators with some difficulties. The Gokal group com-prised at least 50 companies with offices in London Geneva, Honk Kong, Karachi and Toronto, and most of the debt is believed to be hidden in a complicated web of transac tions within the operations of BCCI (Overseas) in Grand Cay-

The Gokals were said by their Geneva and London offices yesterday to be out of the country and out of contact.

PARIS

Offshoot placed under scrutiny

yesterday decided to place BCCI-France under observation six months. At the end of this six-month period, it will choose between winding up the business, running it under court administration, or accepting any eventual candithat to bear are

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dates to take it over.
This "observation period", however, does not mean that BCCl's French branches, which were closed by France's banking commission at the begin-ning of the month, will reopen. BCCI-France had around FF7360m (235.8m) of deposits when it closed, with some 2,000 clients. The court named Mrs Carasset-Marillier as represen-

tative of the creditors. The Bank of France took action against BCCI in France as early as January, because of doubts about its level of reserves and its operations in general, Mr Philippe Lagayette, the deputy governor of the central bank, said yesterday.

In an interview with the business daily. Agefi, he said that the central bank also stopped BCCI horrowing on the interbank market in January, and sant in an interview. and sent in an inspector to see

it was obeyed. "It is rare that we go so far as to forbid the development of a bank but, in this case, we felt that the level of provisions and of shareholders' funds were insufficient, and we found that the functioning of this bank was open to criticism," Mr

Separately, Mr Pierre Bérégovoy, the finance minister, said the BCCI episode showed the need for closer supervision in some countries of banks with international networks. "It is indispensable for finan-

cial centres such as London and Luxembourg to tighten their control procedures," he said. Mr Beregovoy said French regulators had done their job and had kept BCCI under close scrutiny since discovering a case of money laundering in 1988. SRI LANKA: A Sri Lankan

bank will probably take over the running of the Colombo

and receives deposits has been abrogated, a cabinet decree published in Saturday's Official Gazette said.

years, has branches in Islan-bul, Izanir and Mersin.

Staff to petition High Court BCCI staff representatives are sands of small BCCI depositors had given an assurance that to present petitions to the High and employees. the pension fund was sound We want our bank and jobs and an independent trustee

Court and the bank's majority

shareholders in Abu Dhabi supporting the case for a structuring of the bank. Mr Qaiser Malik, head of BCCI's ad hoc staff committee, said yesterday that he would press ahead with "getting a rescue package in place."

The committee has been encouraged by the High Court's move on Monday to protect the interests of thou-

back; and we want to convince the courts that a restructuring is possible," Mr Malik said. He was speaking after talks with Touche Ross, BCCI's provisional liquidators, which he described as satisfactory.

BCCI staff meet outside the Bank of England yesterday, led by Qaiser Malik, centre

He said the provisional liqui-dators confirmed that salaries for the rest of July would be paid, including any June over-time payments. Touche Ross

Assets are frozen and liquidator appointed

THE TOKYO District Court yesterday appointed a liquida-tor for the Tokyo branch of BCCI after the Ministry of Finance concluded that the branch could not be allowed to re-open, writes Steven Butler in Tokyo. The branch had been The ministry had wished to find a way to keep the branch operation viable but had

decided to move towards liqui-dation when it became clear this was impossible. The ministry said that the slow response of the government to the international action against BCCI stemmed

from its inability under Japa-nese law to freeze the bank's assets without simultaneously moving towards liquidation.

Yesterday the ministry notified the district court that the

branch had been closed down and that there was a possibility that its debts exceeded its The assets of the branch

were Y89.2bn (£398.21m) at the end of March, including Y13.6bn in loan guarantees. The net assets would be fur-ther reduced by deposits offsetHowever, the ministry refused to give details of the current financial condition of the bank, including the size of any shortfall in the bank's

had been appointed.

BCCI staff with private

Talks with the provisional

health policies with the bank

were no longer covered, he

liquidators also covered the possibility of transferring BCCI

mortgages to other lenders and

introducing a one-year morato-

rium on payments, Mr Malik

It said it had used "administrative guidance to prevent capital flight, and that it believed its efforts had Succeeded.

Nevertheless, it was necessary to appoint the liquidator and freeze the assets in order to prevent any possibility of capital flight and to stop individual depositors from taking civil action to recover funds at the expense of other depositors.

The ministry's decision was based on information provided by other regulatory agencies, including the Bank of England and the Luxembourg monetary authorities, as well as its own investigation into the branch. The dismissal of branch employees on Friday, as well as the pending court action of individual depositors, also contributed depositors, also con-

tributed to the decision to move toward liquidation. The liquidator is Mr Ichtro Kugisawa of the Tokyo Fuji Law Office.

branch of BCCI, a government ficial said.

Mr R. Paskaralingam, secre.

Ministry of Finance, official said tary to the Ministry of Finance, said the decision was taken because BCCI's registered head offices in the Cayman Islands and Luxembourg had failed to respond to queries from Col-The government was taking a risk by taking over the bank because the legal position was not clear, he added.

TURKEY: BCCI's banking per mit has been cancelled. The permit under which BCCI A.S. conducts banking activities and received deposits has been

BCCI, active in Turkey for 11

INTERNATIONAL ASSETS Third of group not under control of receivers

By Richard Waters

UP TO a third of the BCCI group has yet to be brought under the control of receivers, prompting concerns that assets which should be used for the benefit of all its depositors could leak from the group. The Luxembourg and Cay-

man Islands-based operating arms, representing about \$160n (£9.5bn) of the group's \$23.5bn of assets, are under the control of receivers from Deloitte Ross

affiliate is Touche Ross. However, the receivers have yet to gain control of BCCI Holdings (Luxembourg) SA, the group holding company, which directly controls other parts of the banking group. Negotiations are already under way to sell parts of the

In all, companies in countries operating through 250 offices remain outside the control of DRT. Some, such as

those in Oman, are less than 50 per cent owned by BCCL Partners from DRT have been appointed receivers of BCCI SA, the Luxembourg-based banking company, which accounts for \$50n of the group's assets, and BCCI (Overseas) in the Cayman Islands, with \$7bn of assets.

Three Touche Ross partners have also been appointed provisional liquidators of BCCI SA's branches in the UK.

though Mr Brian Smouha, a Touche Ross partner, was coufident 11 days ago that an appointment was imminent. He is already commissaire de surveillance (receiver) of BCCI SA. Mr Smouha has been asked to report to the Luxembourg court by August 1 on the financial position of the holding company, and Touche said ear-

likely" the court would appoint a commissioner (receiver) The delay means that the receivers are unable to control the disposal of parts of the group.
Until they have established

lier this week that it was "very

whether assets flowed between different operating arms of BCCI, it will be impossible to say whether depositors in one country have an interest in

ASIAN BUSINESSES

Anger over Pakistani executives and role of Bank

By Khozem Merchant

ASIAN businessmen's anger appears to be evenly directed at the Bank of England and BCCI's largely Pakistani executives whose alleged fraud led to the bank's closure.

Many favour bringing the senior BCCI executives to Bitterness over the UK central bank's role extends to the judgment of Mr Robin Leigh

emberton, its governor.

come consequence of the pressure that was mounted," said Mr Amrik Sahota, chairman of the Institute of Asian Businesses (IAB), which represents some 400 West Midlands enterprises, manywith a turnover of up to £25m. Mr Sahota, who led a delegation to the Bank of England

last Friday, said: "This affair has reflected badly on all par-

ties. There is much confusion

the timing, the information the Bank had and how it used it; whether the Bank exhausted all avenues for getting more funding from the Abu Dhabi owners; and, if these people were prepared to inject more money into BCCI, was the Bank right in shutting down

"And if, as it appears, Asian bankers have done wrong, then that too should come out." Mr Mohammed Risz, Conser-

vative parliamentary candidate for Bradford North, who also separately presented Asian grievances to Mr Leigh-Pemberton, says the inquiry should also determine whether the government was involved

in a cover-up.

One of Britain's biggest food wholesalers, Mr Yaqub Ali, whose Glasgow-based Castle group had a turnover of £99m 1989-90, is damning of the Bank of England's role.

sible should be prosecuted.

Mr Zarosh Zaiwalla, of the
London solicitors Zaiwalla, which is representing BCCI depositors with some 224m locked in the bank, says the inquiry should be given the widest possible terms of reference. "There should be no whitewash; and the guilty should be punished."

"It should have taken action

earlier," he said, adding that if fraud was found those respon-

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THE PERSON NAMED OF STREET

The choice, which followed a 250m investigation of two possible locations, was announced by Dr Dick Morris, chairman of the consortium. He said Nirex would set up a subsidiary in west Cumbria to manage the project. The consortium is owned by the four state owned nuclear companies.

Indications that the repository will be built not within the Sellafield site but outside its present perimeter have alarmed local communities. The opposition, the latest the

nuclear industry has encountered in the region, arises from concern about the environment and safety, as well as fears of falling property prices.
Nirex estimates the lifetime

cost of excavating a repository about 500 metres underground and operating it with a staff of up to 400 for 50 years at £2.5bn-£3.5bn.

Transport costs were a major factor in choosing Sellafield instead of Downreay in Scotland. About 60 per cent of the wastes would arise from the nearby Sellafield factory of British Nuclear Fuels, Dr Mor-ris said. But Dounreay would remain an option should unforeseen problems arrive at Sel-

How radioactive waste is contained Target dates Planning application submitted, Chemical Physical Geological isolation: further site investigations. Low water flow Public inquiry, and ministerial 1995/2005 推開開設 arget date for operation

Nirex planned to spend another year refining its design for the repository and preparing an environmental npact assessment so as to make a planning application late next year. The government has already said a public

BURYING THE WASTE

inquiry would follow.

The repository will consist of long, concrete-lined caverns which can be filled with drums of radioactive wastes sealed in cement. The caverns will be excavated throughout the working life of the repository, at a rate that depends on how

Nirex has assumed that wastes in need of disposal by the year 2055 could range from 700,000 cubic metres to 2m

Dr Morris stressed that the repository would not be used for highly-radioactive, heat-

ing nuclear fuel. This would be vitrified and remain in surface storage at the Sellafield factory for at least 50 years, until cool a decision on what happens then has not yet been made.

The repository is to house

what is known as intermediate-

of plutonium to wastes from nuclear reactors, including faulty reactor parts, metal cladding from fuel, filters and sludges from reactor Including the defence sector, it adds up to about 5,000 cubic

level waste, which ranges from trash contaminated with traces

metres a year. Nirex contrasts this figure with the 5m tonnes of toxic chemical wastes

Britain generates annually.
Dr Gregg Butler, BNFL director responsible for the Sellafield factory, said that, effectively, no imported nuclear waste would be stored in the repository, even from overse ing, for the contracts required an equivalent amount of radioactivity to be returned to the customer.

About one-third of the wastes would come from the defence sector, mainly from the Atomic Weapons Establishment at Aldermaston and nuclear submarine bases.

The US nuclear weapon industry, run by the US Department of Energy, is showing considerable interest in British technology for packaging and storing wastes.

BNFL already has one US contract worth several million pounds but believes it could recover much more of its £3.5bn investment at Sellafield during the 1980s with substan-tial exports of technology to

with burial of N-waste

SEVERAL European nations, including Sweden, France, Germany, Switzerland, Fin-land have accepted that underground burial is the way to dispose of radioactive wastes from nuclear power and weap-

ons programmes.

Sweden leads, with a repository for low-level and intermediate-level wastes it originally commissioned in 1989. Last year the Swedish Final

Repository (SFR) at Forsmark, close to a nuclear station about 100 miles north of Stockholm, played host to about 18,000 visitors who were enjoying Sweden's latest tour-ist attraction. Behind SFR's fence, the road

spirals steeply before plunging into a tunnel which travels for about 1km under the Baltic Sea, where the nuclear engineers have excavated their caverns beneath 50 metres of the granite seabed.

The visitor soon learns that "dumping" is a most inappro-priate word for the way this repository operates, and that "banking" is a better word to

describe the process.

Each pre-packed parcel of waste, arriving by the nuclear industry's own ship, is sourced, certificated, logged in the computer, and accommodated according to its radioactive composition within the

Sweden first Nirex to drill boreholes in local strata

FIVE miles of boreholes have already been drilled into the rock identified as a potential subterranean shroud for radio active wastes at Sellafield and

Dounreay.

More miles will be drilled at Sellafield over the next year five more boreholes are
planned in the course of refining the design of Nirex's first

repository.

The aim is to construct a detailed 8-D picture of the relatively unflawed body of rock. around 500 metres deep.

Already the rock is known to be "far stronger than we thought, far more competent", says Mr Tom McInerney, Nirex's managing director Nirex hopes to show that any water filtering through the repository will take at least 10,000 years to find its way back to man's environment The radwastes themselves will be isolated from this water by

several impermeable barriers, as illustrated in the graphic. Mr McInerney says he is confident Nirex could make a nuclear safety case for either Sellafield or Dounreay, but the extra cost of transporting rad-wastes to Caithness has weighed in favour of Sellafield.

Mr McInerney estimates it will cost his nuclear consortium some tens of millions of pounds more to ready its design for a public inquiry.

BRITAIN IN



Nissan UK takes action in courts

Nissan UK has been given permission in the Court of Appeal to submit fresh evidence in what it described as a "life or death" struggle to prevent Japanese car maker Nissan Motor setting up its own UK distribution network

at the end of this year.
Mr Anthony Grabiner QC,
for Nissan UK (NUK), called for the car importer/ distributor, controlled by Mr Octav Botnar, to be granted alternative franchise to Nissan. NUK has been the exclusive importer/distributor of Nissan cars for 20 years. Its associate company, AFG Holdings, owns a network of more than 180 dealerhips dependent on Nissan sales. The appeal is contested and expected to last at least five

Decline in sales of unit trusts

Sales of unit trusts fell in the three months to the end of June, the Unit Trust Association has revealed. Gross sales were £2.5bn, down from £3.19bn, and net new investment was £427m, down from £1.247bn.

Mr Philip Warland, director general of the UTA, said the drop in gross sales could probably be explained by the heavy buying by big investment institutions in the

Council tax bills may rise

A new band covering properties worth more than £320,000 is to be added to the government's proposed council tax, pushing up the prospective bills for many households in London and the

south-east. Mr Michael Heseltine, environment secretary, told the House of Commons that the government had decided to respond to intense pressure over recent months to raise the previous threshold of £160,000 for the highest bills.

Competitors gain gas sales

Fifteen per cent of new gas sold in the UK industrial market in the past year has come from companies competing with British Gas, the government has

This is more than double the amount sold by competitors between June 1989 and May last year when 7 per cent of gas was sold by companies other than British Gas. The government set a target 2 years' ago that 10 per cent of gas coming from new fields should be sold to the market by competitors in the hope that it would encourage more competition in gas supply.

Brewers to meet ministers

Britain's major brewers have been invited to a series of meetings with Mr Peter Lilley, trade and industry secretary, and Mr John Redwood, consumer affairs minister to discuss the effects of their pub disposal programme on pub tenants.

More than 6,000 pub tenants have been given notice of termination of their tenancies as the brewers prepare to sell or lease pubs to meet the requirements of the government's orders to end exclusive beer supplies to large parts of their pub estates.

BA protests on slots rejected

Mr Malcolm Rifkind, transport secretary, has rejected protests from British Airways over its surrender of some take-off and landing "slots" on its London to Tokyo route to Virgin

Atlantic Airways. He told an American Chamber of Commerce lunch in London: "References to 'confiscation of slots' are entirely unfounded. No airline has a legal right to a landing or take-off slot. Rather, airlines have permission and this must be subject to the public

Rise in short holidays

English holidaymakers are taking shorter but more frequent holidays in England, according to English Tourist Board figures. Short-break holidays, day trips, and visits to friends and relatives were all up in popularity, although the traditional two-week holiday is still the main type of break for the English.

School, work gap narrowed

Significant progress has been made in bridging the gap between school and work as a result of the Technical and Vocational Education Initiative, Her Majesty's

Inspectorate has said.
TVEI, the government's scheme to give a practical edge to school study, has been running for seven years. More than 4,000 schools and colleges with 850,000 14-18 year-old students, are participating. This year's budget is £134m.

Women in law still lag behind

Women solicitors have still not made the breakthrough into senior positions in solicitors' firms despite the continued rise in the number of women joining the profession.

Women now make up more than 50 per cent of newly qualified solicitors and account for almost half the 20,000 assistant solicitors in England and Wales. But only 10 per cent of them are partners according to Law Society research.

New ticket to ride for buses

London's open-platform double decker buses are to be given a new lease of life to run into the next century. The Routemaster buses, many around 30 years old, are to be refurbished at a cost of £20,000 each, London Buses has said.



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FOR DETAILS OF THE ROLLS-ROYCE AND BENTLEY



Rolls-Royce Motor Cars Limited. A Vickers Company

By Paul Abrahams and James Buxton

SWATHING cuts in the British army were revealed yesterday by Mr Tom King, defence secretary. In spite of intense lob-bying, Mr King announced that the army's infantry battalions will be slashed from 55 to 38 by

1997.
The announcement came as Mr King disclosed the new structure of the British army to the House of Commons. The number of troops will fall by more than 40,000 to about 116,000. Infantry and cavalry regiments dating back centuries will disappear.

The deep cuts represent the

government's response to the end of the cold war. Mr King said the aim of the review was to sustain strong defence, but to achieve it with smaller but better equipped forces that would be more flexible and

The cutback to 38 battalions is two less than feared by senior British officers. However, some army officers had claimed before the announcement that it would be impossible for the army to meet its commitments without 41 battalions. Mr King said that with Royal Marine Commandos 41 infantry battalions would be

The army's 50 British infantry battalions and five Gurkha battalions will be reduced to 46 and four respectively by the end of 1992 and progressively until 1997 when there will be 38 battalions of which two will Gurkha. By the mid-1990s, the 11 armoured and armoured reconnaissance regiments will have been reduced from 19.

In Scotland, the two High-land regiments, the Queens Own Highlanders and Gordon Highlanders, and two Lowland units, the King's Own Scottish Borderers and the Royal Scots,

are to be amalgamated. Elsewhere, the Queen's Regiment will amalgamate with The Hampshire Regiment; the Cheshire Regiment will merge with The Staffordshire Regiment; and The Gloucestershire Regiment will combine with The Duke of Edinburgh's Royal Regiment. A number of regiments will also lose a battal-

As for cavalry, The Life Guards and The Blues and Royals, so loved by tourists visiting central London, will be fused in a single regiment, but will retain their separate iden-

The six regiments of Hussars will merge to form three regiments; the two regiments of



Riding into history: the Life Guards, a familiar sight in London, are to merge with the Blues and Royals in one cavalry regiment. But the government said they will retain their separate identities within the new structure

while the four Royal Tank Regiments will amalgamate to Two new Corps based on seriand Mechanical Engineers. iments will amalgamate to

Meanwhile, the Territorial Army will be reduced to between 60,000 and 65,000 from 70,000. However, no final decision has been made about its future role, organisation and

THE MERGER of the Ulster Defence Regiment

with the Royal Irish Rangers was purely an

army decision and not the result of pressure from the Irish Republic, Mr Tom King, defence secretary, said yesterday writes Ralph Atkins.

Northern Ireland's Democratic Unionist Party

when he announced the decision in the Com-

Mr Ken Maginnis, the Ulster Unionists' secu-rity spokesman, however, gave him a warmer reception. "It will be with pride that members of

the UDR will take their place in a Royal regi-

ment," Mr Maginnis said.

The 6,300-strong UDR, the biggest and youngest in the army, was founded in 1970 to replace the wholly Protestant "B-specials".

Dublin has expressed concern about the antagonism the UDR, which is 96 per cent Protestant, creates in nationalist communities.

He met a predictable storm of protest from

Two new Corps based on service support and equipment support are to be created, he explained. The service support corps will include the Royal Corps of Transport, the Royal Army Ordnance Corps, the Royal Pioneer Corps and the Army Catering Corps. The sec-ond new corps will be mainly

Minister denies Irish merger prompted by Dublin

the 38,000 civilians employed by the army in the UK was also disclosed by Mr King. Mr King said that factors considered in arriving at these decisions included past and present manning patterns, future recruitment projections,

A merger with the Royal Irish Rangers, which

recruits from both north and south Ireland, will

allow UDR members to serve outside the prov-

ince and possibly overcome some nationalist

Mr King said there would continue to be a

"very significant" part-time element in what is expected be called the "Royal Irish Regiment".

Army chiefs believe longer warning times in Europe allow greater flexibility over commitments in Northern Ireland. The Royal Marines, in particular, are expected to be used more

In the Commons, the Rev Ian Paisley, DUP

The Dublin government had waged a "vicious

leader, said there was a "deep outrage and con-cern" in the province at the decision.

campaign" against the regiment, he said. Mr King replied that interested parties had been informed only "at the proper time".

previous amalgamations, the need to retain appropriate geo-A substantial reduction in graphical representation of units throughout the country and emerging accommodation. deployment and equipment

A substantial redundancy programme among officers and NCOs will be required to ensure the reduced level of forces, admitted Mr King.

He said that while most reductions would be achieved through natural wastage and voluntary redundancy, some compulsory redundancies were inevitable. The first tranche of redundancies will be in 1992-3. There was disappointment

and anger in army circles in Scotland that four of the seven Scottish regiments are to be

The Scottish regiments had refused to propose their own amalgamations to the Ministry of Defence, arguing that Scotland was a better recruiting ground than other parts of Britain, and that the effect of unemployment would be felt more strongly. But this appears to have cut little ice with the Army board.

BT strikes deal with Oftel on competition

By Hugo Dixon

BT will not be referred to the Monopolies and Mergers Com-mission, the UK regulatory body, following a deal on how the telecommunications market should be opened up to competition with Oftel, the industry's watchdog.

The details of the deal,

which is described as an extremely complex package, are expected to be announced

They will be scrutinised to see whether BT or Oftel, both of which have taken entrenched positions in recent weeks, have in fact climbed down. The agreement will free the government to proceed with plans to privatise all or part of its remaining stake in

It will also allow the government's new, more competitive telecommunications policy to be implemented, including a 10 per cent cut in international call charges.

The deal is surprising given a tough statement by Mr Iain Vallance, BT's chairman, to the company's annual general meeting last week that he

would prefer to go to the MMC than accept Offel's plan.
Offel had previously gone back on an earlier deal with the company that would have allowed it to charge competitors special access fees for using its local network.

BT appears to have decided it had more to lose than gain from an MMC referral. The two sides have been locked in negotiations since last week, culminating in a deal which was put to BT's board for

BT had originally hoped to be allowed to increase its quarterly rental charges sharply in exchange for agree-ing to Oftel's about turn on access fees. But the new deal is understood not to give the company much leeway in this

The new deal is understood to differ from Oftel's previous proposals without amounting to a substantial concession to BT. "The cards have been thrown up and have landed in a different way," said one per-son who had seen the details. The deal is understood to be an interim arrangement. BT's prices are to be investigated

again by Oftel next year.

Treasury likely to overshoot spending targets

By Philip Stephens, Political Editor

A RISE of £1.1bn in the Treasury's grant to local authorities yesterday set the stage for a large overshoot in the government's spending and borrowing limits.

After cabinet discussion about the economic outlook, ministers said the Treasury was now certain to break through both its £205bn spending target for this year and the 2221bn pencilled in for 1992-93. Public borrowing, forecast at £8bn and £12bn respectively, is also set to overshoot.

Mr Michael Heseltine, the environment secretary, said the extra local authority grant and a tight "cap" on council spending would mean that next April's community charge (per capita tax for local services) - the last before abolition – should rise only

hotly disputed by local authorities and opposition parties. They claimed that grant increases fell far short of the amount needed to prevent

either sharp cuts in services or large rises in individual bills.

Mr Heseltine set a figure of £41.8bn for local authority spending next year, a 7.2 per cent increase on the target for the current year but a rise of only about 4.5 per cent on actual outlays this year.

Mr Norman Lamont, the chancellor of the exchequer, reinforced a call at the cabinet for tight controls on public spending with a prediction that inflation might fall to as low as 3.5 per cent by December. Privately however, senior

ministers admit that, with a general election looming, it will be impossible to resist large bids for more funds in health, education and trans-port. The economic recession has already added billions to

social security benefit costs.

The main Whitehall spending departments have submit-ted bids to the Treasury for about £15bn in extra funds, with many arguing that the Citizen's Charter will not work without extra cash.

Lilley calls on US to reverse jet decision

MR PETER LILLEY, the British trade and industry secretary, yesterday called on the US government to reverse its decision not to grant a re-export license to British Aerospace covering the planned export to Iran of six BAe 146 aircraft.

Mr Lilley said the government was bitter that its repeated advice that the order should be given clearance had been ignored by Washington. In an unusually frank public statement of the British government's public disagreemen with US technology and trade policies, Mr Lilley attacked the decision as inconsistent, given the recent US approval for the export to Iran of similar air-craft by Fokker, the Dutch aircraft manufacturer.

Corporate culture

Both the Fokker F100 and BAe 146 include US made components although the Dutch aircraft has less US input than its British rival. The US State Department is reportedly con-cerned about the export of sensitive technology to a state which continues to support ter-

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The wings, avionics and engines for the BAe aircraft in the order were manufactured in the US.

Mr Lilley disclosed that at a meeting in July with the US Ambassador to London he had pressed for the order to be approved and Mr Douglas Hurd, the foreign secretary, recently raised the issue with his counterpart Mr James

Mr Lilley said: "I greatly regret that the US administra-tion could not accept our judgement on the matter particularly given that the US has

MANAGEMENT

Global strategy

Banking on boulevards to build the business

David Lascelles investigates Citibank's operations in 40 countries

the banking business for the most "global" bank, there is little doubt which would win: Citibank. Indeed, the large New York bank is probably the only member of the industry which can even lay claim to such a title.

Other banks may have wide international networks serving the multinational corporations but Citibank is also moving into the high streets, the boule-vards, and the piazzas to win the banking business of the private individual In its latest annual report

the bank says: "Our global vision of 'Citibanking' is tak-ing shape in 40 countries where we are serving 34.5m households, including 24m in the US, one in every four families." At the latest count, it had 1.680 branches, only a third of which (551) are in the US. Of the rest, 682 are in Europe (mainly Germany, Belgium and Spain), 195 in Asia and Japan, and 253 in Latin America. It also has 41m credit card holders, 10m outside the US.

What is distinctive about us is our 'globality' and our con-sumer business," says John Reed, the chairman, who emphasises that neither feature is to be sacrificed in the reordering of priorities made necessary by the group's recent loan losses and its need to conserve capital. Citibank has been building this business for 17 years, he says, and it needs another eight to complete the task.

Citibank's determination to create a global consumer banking network is unique in another sense. It is the only bank which believes that such a feat is possible. Other big retail banks, like the British and French, have pulled back from retail banking in far-flung continents - often after losing large sums of money at it and are concentrating their efforts closer to home. Large US banks like Chase Manhattan are selling out of overseas retail banking. The Japanese have limited their efforts to the

Californian market. The Citibank drive stems bank has a long international tradition; it has been 90 years in Japan, for example, a country where it now has 13 branches and is the only for-eign bank to have made a serious attempt to tap the local retail market. Citibank is also predomi-

nantly a retail bank, both by culture and earnings. Reed spent his early career on that side of the group, and for the past two years, global con-sumer banking has been the largest divisional profit-earner.

This is backed by a strong commitment to banking technology. Citibank makes its own cash machines and has built some of the world's most advanced credit card processing centres.

The cash machines in its US and Japanese branches are already linked, and Germany, Singapore and Hong Kong will join soon. Eventually, Citibank hopes to link all its branches and cash machines into a single global network.

Inevitably, analogies with other worldwide retailing businesses like McDonald's spring to mind. In one sense they are misleading because banking is a more complex business than selling hamburgers. But in another they are helpful.

The Citibank global franchise, as executives like to call it, is built on the idea that consumer banking needs are basically the same the world over.

asamoto Yashiro has a rare view

his downtown Tokyo office. His

job is equally rare - to build a foreign-

As head of Citibank's Japanese opera-

tion, he hopes to have nearly 20 branches

by the end of this year. But it has been a

long hanl. Ten years ago, foreign banks were not allowed to have branches. It was

only last year that other Japanese banks

allowed Citibank to join their cash

machine association, an important sign of

Today, Citibank has 250,000 personal

accounts and employs 550 people to run

its retail banking business. Branches are

owned retail banking business in Japan.

over the Imperial Palace from

with some local variations. Branches tend to look the same whether they are in Kuala Lumpur or Brussels. The technology is being standardised. The product range is similar, and where possible, Citibank's

name is over the door.

The service is built round a few basic products, usually the Citi-One account, which combines a cheque account with a credit line and a savings account, and is pulled together with a single statement. Account holders have a Citicard to get cash and informa-tion out of machines. They can use this in foreign Citibank branches which are hooked up to the system.

Quality is controlled through common operating manuals and training. Individual country operations are named Citi-bank only when they conform to the required standard. However, Citibank executives prefer to play down the standardising aspects of their business. They say the emphasis is on developing individual country markets, and only

then linking them together. The local emphasis reflects Citibank's policy of becoming what it calls "a relevant player" in individual markets. Wherever possible, it joins the local bank clearing system to enhance its credibility and achieve the critical mass it aims for. This helps it to overcome the barriers that banks

Long haul to win acceptance in Japan

in big centres like Tokyo, Osaka, Yoko-

hama, Nagoya and Kobe. Citibank also issues credit cards to 100,000 people.

Yashiro admits that the operation loses

money - about \$20m a year. But he

biames that largely on Japan's highly reg-

ulated interest rate system which favours

domestic banks with plentiful sources of cheap retail deposits. He expects to start

making a profit when those regulations

The Citlbank strategy is to provide spe-

The bank offers multi-currency

clalised services which attract the more

upmarket, internationally-minded cus-

accounts for people who like to track for-

are phased out by 1994.



always face when attacking a foreign retail market. The group's recent financial problems have also raised worries in Citibank that its customers might think it was about to withdraw from their country. So there is a determination to emphasise commitment.

According to Reed, one of the important attractions of global banking is its high profitability. Although the group does not break down results into individual countries. Citibank says it makes money in the majority of its overseas retail banking operations (admitted exceptions are Japan and Italy). In many, the rate of return is considerably higher than in the highly regulated of the losses Citibank has recently suffered on its US lending business: "Let's face it. If we were just a New York bank. we'd be bust."

What is less clear is whether Citibank derives any added earnings benefit from having such an extended retail network. Victor Menezes, who heads the European retail business, admits that only 5 per cent of Citibank customers. care whether they can use their Citicard abroad, so the marketing edge is very small.

There are some economies of scale in equipping and running a standardised global network, particularly in smaller countries with only a handful of branches, but these are not quantified. The fact that Citi-

eign exchange movements. Since the

spring, account holders have also been

able to use their cash cards in Citibank's

compete directly with the big banks," he

says. "But with special products we can. No matter how big Dai-Ichi Kangyo and

Fuji are, they can't compete with us in

for expansion; Japanese banks are too

expensive, and anyway Citicorp is short of

the branch network, with Tokyo and

The chosen route is steady expansion of

Yashiro rules out acquisition as a route

"We are so small here that we can't

US branches.

global terms."

bank takes in a large volume of deposits in many different countries also helps its liquid-

However, one gets the impression that the global nature of the bank's operations is driven to a large extent by Citibank's inherent sense of ambition, as well as by its fas-cination with the idea of creat-ing a global, technologically linked banking system. Another question is whether Citibank can hold on to its

global ambitions while it tries to sort out its balance sheet problems. Reed's new policy emphasises short-term results, rather than the long-term commitment needed to build a retail banking business. He also wants to squeeze \$1.5bn a year out of the system. Hilmar Kopper, chief execu-tive of Deutsche Bank, recently

provided some support for Citibank's ambitions when he told a conference at which Reed was present: "We'd better concentrate on being successful at home in the medium term and think twice before we go global." But he hastened to add that Reed had good reason to "hold on" to his global ambitions.

Paul Collins, Citibank's vice-chairman, says he believes the bank can sustain its global ambitions so long as it overcomes its problems within two or three years. (The current target is 1993.) But much longer than that and the strains might force it to reconsider.

Benefits of an 'open' company

By Andrew Jack

n "open" company is one in which the genone in which the general management style is to delegate responsibility in an attempt to foster employee involvement, personal initiative and generate effective internal communications.

But is this style anything more than trendy hype? A report by Smythe Dorward Lambert, a British communications consultancy firm, sets out to investigate.

Using a questionnaire and a series of detailed interviews with chief executives, the firm concludes that open companies in the UK tend to be more commercially successful and have little to learn about openness from their continental European or North American counterparts.

The researchers drew up a list of 1,000 top companies and ranked them according to seven indicators of performance during 1990, including earnings per share growth, pre-tax profits and return on capital.

They selected 125 companies from the top quarter of the sample on at least three of the rankings and 125 from the

lowest quarter.
Thirty of the respondents came from the top quarter and 16 from the bottom quarter. Each was then classified as "open" or "less open" based on eight criteria, including management culture and style, internal communication and employee share ownership.

The result suggests that better performers are more open; 25 of the 30 best companies were open, compared with only five which were in the bottom 16.

Three of the worst performers were "really closed, in the Ice Age", according to Colette Dorward, a partner in the

However, the firm based its findings on only 46 questionnaires returned from a mailshot of 250 companies, and 20 follow-up interviews with some of those respondents.

Most of the report's conclusions are essentially summa-ries of executives' opinions rather than verifiable fact. Many factors other than open-

ness may have contributed to the outcomes described. The companies had clear ideas of what being more open means: focusing more on employees; orientating the companies around achievements; placing more reliance on trust, respect and communication than on rules and procedures; and fostering among

employees a sense of shared

purpose. The most important reason cited for becoming more open was the effect of changing market conditions, including globalisation of business. increased competition, new technology, the growth in decentralised control of the corporation, and increased social awareness and corporate responsibility.

The respondents argued that the benefits of being open included increased flexibility, cohesion across the company, increased employee commit-ment and better decisiontaking. Two thirds of the companies

had undertaken cultural change programmes to restructure the way in which they are run, but surprisingly that included all the poorer performers.

The best approaches appeared to come as a result of devolution of authority; training; articulation of a clear mission; internal communication; and employee involvement and

We found that change is driving most organisations," says Dorward. "But evolutionary change worked far more successfully

than a Big Bang programme of change implemented all at A final, unexpected finding, she says, was that none of the companies used worker coun-cils, as they are defined under

the draft European social char-Managers were nervous about any legislation that would formalise employee par-

ticipation_ The power of the open company. July 1991. Smythe Dor-ward Lambert, Julia House. 40-42 Newman Street, London.

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New York | TELEVISION

The demise of Pepsico Summerfare has left New York — sweltering in its record-breaking hundred-degree heat, day after day – without challenging, arresting musical activity. But a new festival has started: TillesFest, out on Long Island, on the Post campus of Long Island University. It's an agreeable, tree-shaded place — once Emily Merriweather Post's estate, and now provided with the best large concert hall (holding 2,200) in or around New York.

Visiting orchestras often appear there; Kurt Masur did so with his Lelpzig orchestra, and now, as conductor-designate of the New York Philharmonic, he gave his enthusiastic support to a Tilles-Philharmonic devoted to American music (conducted by Christopher Keene), to Mozart (conducted by Erich Leinsdorf), and to Mendelssohn (conducted by Masur). Before the orchestra concerts, Philharmonic players

played chamber music. In the Italian Symphony and the Midsummer Night's Dream music the Philharmonic under Masur was an orchestra transformed

- playing with delicacy and poetry that I don't remember from them since I heard them under Bruno Walter's baton. A triple spell was perhaps at work: the specious, favouring Tilles acoustics, the adept players' loving onse to and respect fo response to and respect for their new conductor, and

Other excursions-from-New York festivals continue. Caramoor, to the north, this year had nothing of special attraction. But, to the west, the Waterloo Festival offered an alluring bill: Carl Nielsen's "Inextinguishable," preceded by the Sibelius Violin Concerto played by Gil Shaham. Waterloo Village, 50 miles from New York, was once a New Jersey iron town, then a busy port on the Morris Canal. When railroads put paid to waterways, it became a deserted village. Two friends bought it bit by bit, from 1946, and restored its surviving buildings; and now it is a beautiful, romantic place beside the water, hard to reach but worth reaching. Through the woods and the meadows fireflies sparkle as darkness

The Waterloo Festival Orchestra, which plays in a concert tent on the outskirts of the village, unites crack young students with their crack instructors. Richard Bradshaw, conducting, furthered Shaham's passionate performance of the Sibelius concerto, and gave a wonderfully gripping account of the *Inextinguishable*, holding Nielsen's long line

In New York itself, various nerable institutions are playing pop works in various parks, to monster audiences – but through amplification that makes any musical considerations irrelevant. On Lincoln Center, the City Opera and Mostly Mozart are active. I'll report on these when they reach climaxes - the first with its "call-girl" Traviata, the other with Roger Norrington's "1791 Mozart Weekend", also due in London next month.

Andrew Porter

target Summer Low expectations from the Thatcher years Music Low expectations from the Thatcher years intense ratings competition and had been declared "beyond using for, say, the year 142 film version of Great simultaneous cost-cutting in order to acceptable limits" by the BSC Germaine Greer whose attitude

hen there is already a film version of *Great* Expectations as good as David Lean's 1946 production what is the point of re-mak-ing it unless you think you can do better? The answer in the case of ITV's six part serialisation which ITV's six part serialisation which began on Sunday would seem to be so that the producers (HTV, Primetime and Disney) can make some money out of it. But then why remind everybody of the earlier and superior version by choosing to initate rather limply Lean's superbopening scene where Magwitch confronts young Pip in the cemetery on the Essex marshes? It is one of the most famous and memorable most famous and memorable sequences in cinema history, but there is no rule that a dramatisation of the book has to start there. Some would assume deliberate homage to Lean, others sheer folly. Still, by and large the new adaptation seems

Posterity will surely see the influence of Thatcherism on television as sadly malign. Judging by the sequence of startling leaks, mostly engineered by my FT colleague Ray Snoddy, concerning the size of the bids that have been made in the blind auction for the ITV franchises, unless the Independent Television Commission (ITC) under George Russell has the nerve to drive a coach and horses through the new legislation, we may be facing the decline and even destruction of high quality British commercial televi-sion after a life of just 40 years.

The prospect of a company as out-standing as Granada (once voted "The best television company in the world" by America's respected Channels magazine) being driven out of network television by being out-bid is bad enough. Perhaps Granada would remain in programme produc-tion as an independent, selling Coronation Street to the highest bidder . . . which might well be the BBC. Even more dispiriting, though, is the prospect, which now seems likely, of the ITV companies being driven into

intense ratings competition and simultaneous cost-cutting in order to produce the vast sums they have been promising to the government in order to win the franchises in the

There will be no difficulty in deciding where the blame lies for the resulting collapse in programme quality. It was the greed, malice, and philistinism of Thatcherite politicians – greed for tax revenue, malice against broadcasters, philistinism towards all the arts – which got us into this mess, a mess which now seems likely to end one of the rare remaining mays in which Britain led remaining ways in which Britain led the world. These politicians with their obsession about the price of everything and their ignorance about the value of anything were convinced that what mattered about television was money. Being politicians, it never seems to have occurred to them that for normal people what matters about television is the programmes, and British com-mercial television programmes have been extraordinarily good.

The other appalling Thatcherite The other appaining Thatcherite effect upon broadcasting has been the proliferation of regulation. While pretending to a desire to dissolve quangos and roll back the boundaries of the state the Thatcherites have actually lashed British broadcasting into a complicated straitjacket of rules and regulatory organisations, the like of which is rarely seen now outside the boundaries of totalitarian China. To watch French, Italian, German or Spanish television these days and then come back and watch in Britain is like moving from the adult lending library back into the infants'

section.

The impossible position in which broadcasters have to work was illustrated last week by the simultaneous publication of the ITC's quarterly "Programme Complaints And Interventions Report" and the annual report of the Broadcasting Standards Council. had been declared "beyond acceptable limits" by the BSC (W.R. Mysteries Of The Organism) had, according to the other report, been previewed by the ITC and approved for transmission. Most British viewers neither need nor want this sort of busybody idiocy from the BSC, and the sooner Mr Major can distance himself from the old Thatcher crowd and close it down, the better.

That said, there is at present a most unusual rash of programmes about sex. In the main they are timid compared with what you might expect nowadays in Holland, say, or Denmark. This week's Heart Of The Matter, for instance, dealt with the debate about legalising prostitution by strolling round all the predictable bases, especially those occupied by clergymen. Earlier in the week, in Thighs, Lies And Beauty, BBC1 sent out two women to "try to discover the origins of the modern view that wrinkles, double chins, hairy armpits, fat tummies and small breasts are unattractive" (as distinct from the old view, presumably, that

they are all simply super).

Repeated rhetorical questions of the "Why oh why do we do it" variety, applied to mud packs, hair-dos and so on, were answered every time with the same sort of excuse: poor ickle women are "pressured" into these things by great big macho marketing men. As in the old joke about the boring pilgrim ("Oh God, why me, why me" etc. followed eventually by the bolt of lightning and the thunders. of lightning and the thunderous voice declaring "Because you give me the pip") one longed for one of those "Why oh whys" to receive the bellowed response from heaven "Because you're so damned vain".

At the weekend came the first of the ITV series Sex Now which, unless my ears deceived me, claimed that "According to our survey people are more sexually active now than ever before". It makes you wonder which One film shown by Channel 4 which particular set of figures they are

using for, say, the year 1423. Germaine Greer whose attitudes towards sex in the 1960s were completely cockeyed, as she blittlely admitted here, is now busy getting them even more ludicrously wrong in the nineties. But you have to admire the woman: no matter bow loony her ideas she always manages to get paid to pontificate about them on television.

The week did, however, bring one collector's item in the sex category: From Wimps To Warriors on sado-masochism. True, BBC2 made sado-masochism. True, BBC2 made virtually certain that you would miss it by scheduling it for 9.45 and then showing it at about midnight, presumably because some bigwig had seen (or heard about) it and taken fright. It was by turns funny, sad, and heartening. Funny because of the sheer complexity of some of the gear involved: would you believe a dog suit inside which the man's a dog suit inside which the man's testicles are tied to the upper part of his body so that he has to remain on all fours while his mistress walks him on a lead in a public park? We watched them. Sad because some of it seems so grubby and graceless — those horrifying zipped leather helmets, for instance. But heartening because the people involved seemed so ordinary and quiet and on the whole rather sweet.

can imagine the raised eyebrows already, and sense the eyes streaking back up the column to check that earlier phrase: sado-masochism is "infants' section" television, eh? No, this was of course an exception – but would it not better for children to see those people pleasing one another, in however bizarre a manner, than to watch more of television's usual shootings and knifings and hatred? You would have to be a real BSC type to take exception to a programme about people who are so clearly supplying one another with what makes them happy.



Christopher Dunkley Martin Harvey and Anthony Hopkins in 'Great Expectations'

Dead Sheep

BUSH THEATRE, W12

Catherine Johnson's funny and shocking new play has the rare knack of making you roar with laughter at the same time as punching you in the solar plexus. Three exaddicts, the proverbial lost sheep, are spending a weekend climbing in the Welsh mountains. They have two guides — the ferocious John, graduate of borstal and, possibly, of the SAS, whose job it is to tend to their physical survival, and Philip, director of a rehabilitation centre and self-styled shepherd of their souls. In a first act that bristles with scurri-

lone insights, Johnson explores the funny little inadequacies of the three women patients. There is Zoe, a naively enchanting Kate Hardie, whose survival skills stop short of being able to deal with a tin of canned beef; there is Gwen Taylor's puddingy Eve, collector of blisters and deflater tation of explosive logic it emerges that

of enthusiasms, and there is Holly (Katrin Cartilidge), whose khol-smeared eyes glisten with tears for her husband, who has recently died from a heroin overdose. On a stage of real turf flanked by outcrops of rock, they set up camp and pre-pare for the final ascent. Through the almost clownlike humour of their preparations Johnson is making a serious point -that they are as vulnerable to the spiritual bullying of their guru as to the fleshly innuendo of their guide. In the second act, this is turned to catastrophic account as they set up off the mountain, roped together so that if one falls they all do.

With an inevitability that only becomes

Johnson's real concern is with the emotional stability, not of the flock, but of the shepherd. Bravely and bizarrely, the part of Philip is played by a dwarf, Jon Key. It is bizarre because of the focus Key pro-vides for Johnson's cruel black humour (especially in contrast with the gleaming muscles of Gary Love's John), and brave because of the way spiritual stature is reflected in physical appearance.

The whole thing could so easily tip over into bad taste, but it is held in a dizzying balance by Mike Bradwell, under whose direction the humanity of the characterisa-tion provides an anchor for the inhumanity of the plot. The design (Geoff Rose) and

Claire Armitstead

Edmond

THE OLD FIRE STATION, OXFORD

shorter, quicker plays to the American theatre. One only wished this production of *Edmond* at The Old Fire Station, Oxford was shorter and quicker too. This was an unenlightened performance of a dispiriting

Mamet's talents are widespread. involved in several media. In the theatre, the sharp dialogue of American Buffalo or Sexual Perversity fixes a character with a few monosyllables. For film, he has written the intricately-plotted screenplay of House of Games. And he has gathered essays and lectures enlivened by wry charm in Writing in Restourants.

charm in writing in results this.

This play, Edmond is not one of his best, and needs a good production to keep its issues alive; here they needed life support. But they are worth reviving: is our behav-iour determined by our genes or our environment? what choices do we have in the matter? Mamet gives Edmond enough selfawareness to make him smart, enough prejudice to make him unpleasant, but never enough insight to make him thoughtful. Wisdom comes in small nug-

gets from the Mamet shovel.

There is no plot, just a one-way ticket from prosperity to wretchedness: Saville Row to skid row. Edmond quits his mar-ried middle-class comfort after a tiff with his wife; he walks out on her, and in on a series of prostitutes, con-men, muggers and street-smart urbanites. In the massage parlour, the sleazy motel, or at the pawn broker, Rdmond learns the rules of each game afresh. Eventually, he musters a lit-tle self respect, mistakes his new-found aggressiveness for assertiveness, and in a fit of rage, murders a waitress he has just slept with. He ends up doing time in "Club

The staging is really the culprit here; a good galvanised steel set was made to look cumbersome and awkward by the protracted scene shifting. The job of a Mamet director is to speed the play, and in this Jonathan Meth was let down by his lighting designer. There are some good scenes, however, particularly those between Edmond and his murder victim, and then between suspect and police inspector down at the station.

The play leaves one feeling that a Shakespeare sonnet, a Dr Johnson para-graph, or one of Mamet's own essays would say more about who we are and how we should conduct ourselves than the characters in Edmond.

A Midsummer Night's Dream

AIX-EN-PROVENCE FESTIVAL

Thirty-one years old now, Britten's Shakespeare opera has maintained an ambiguous reputation. Musically it boasts an inspired economy, taut and telling, which answers to Peter Pears' radical trimming-down of the text. Dramatically, it has semetimes seemed to confine the story to picturesque anaemia: good faery effects, but only a few windows on a richer human world - the lovers' Awakening quartet, Bottom's remembered Dream, the rude parodies of Bellini and Donizetti for the "Pyramus" playwithin-the-play. The new Dream at Aix is quite different, and it is enjoying a huge, wholly deserved success. (The last performances are on Fri-day, Monday and Thursday

In a properly organised world, this production would already be headed for London; but its Aix predecessor just two years ago, an exhilarating version of Purcell's Fairy Queen (on the same play) by Les Arts Florissants and a contingent from the RSC - expensive, admittedly - never found the funds to strut at home. That must not be the fate of this Dream. I hadn't imagined that the piece could be staged as brightly, freshly and consistently as Robert Carsen has done here, in perfect sympathy with Michael Levine's crisply Andrew St George witty designs. Given the lively cast and the conductor Steuart Bedford's knowledgeable hand,

the performance was an unmitigated delight, and something of a revelation. Where the new Aix Figuro,

two nights before, made one recall how much more skilfully Peter Hall had managed Mozart's garden-scene at Glyndebourne, the Carsen and Levine Dream makes Hall's version seem neo-Edwardian, irrelevantly pretty. Whatever Britten might have envisaged, his faery music isn't picturesque, but cool and strange doesn't twinkle or scurry like Mendelssohn's. In the Aix version James Bowman's languid, crooning Oberon is a Noel Coward figure, in a swish green dressing-gown to match his bair, and Lillian Watson's archly carolling Titania has more than a touch of Prunella Scales. The elfin trebles are a blank tribe of mittel-Euro-päische hotel staff, wingless but sporting clone 'taches in Oberon's preferred colour.

Though the production does nothing to rebut Edith Cres-son's recent diagnosis of Englishmen, it reveals further degrees of erotic complexity. In the first act Levine's plain landscape soon proves to be a giant green quilt for a two-pil-low bed; for the second it becomes a whole school-dormitory of beds, and the third begins with the crucial ones containing Titania/Bottom, Helena/Lysander, Hermia/De-metrius – suspended in midair. On the other hand, the

erased: the "changeling boy" for whom Oberon and Titania contend is a mere baby doll, and Puck is a wildly athletic middle-aged comedian (the bril-liant Emil Wolk) instead of the prescribed ballet-dancer in his early 'teens. The scene in which Oheron subjects him to a kind of electrical torture loses its nasty S-&-M overtones and becomes virtuoso slap-

The frantic lovers are expert: Juliet Booth's Helena unguard edly intense (if squally at the top - first-night nerves, no doubt), Eirian James' Hermia dark and sexy, their swains John Graham-Hall and Gerald Finley dignified, comically distraught and vulnerable. The excellent troupe of mechanicals, led by Roderick Kennedy's upstanding Bottom (too gallant to overween much, and therefore only mildly funny), is graced by Donald Adams'warmly anxious Peter Quince and Christopher Gillett's twitchy, touching Flute/ Thisbe. For once their low comedy seems the right episode in the right place, and not just Carry On foolery wheeled on for a last-minute rescue. The proportions of the opera seem cleverer than ever, its lovelorn cartoons funnier and more humane; it looks like lasting for a good long while.

David Murray



AMSTERDAM

Dumay and Maria Joso Pires give a violin and piano recital, including Brahms' Sonata in G and Tomorrow: recital by winner of the 1991 Gina Bachauer International Piano Competition. Sun: Heinrich Schiff and Tzimon Barto (6718 345)

Concertgeboury 20.15 Augustin

■ ATHENS

Herod Atticus Theater 21.00 Concert by Berlin Radio Chorus, including music by Mikis Theodorakis, repeated tomorrow

■ COLOGNE

Philharmonie 20.00 Ken Hill's 1970s version of the musical The Phantom of the Opera, predating the version by Andrew Lloyd Webber. Runs till Aug 4 except Mon, with matinee and evening performances on Sat and Sun (2801)

■ GENEVA Hôtel de Ville 20.30 Elizabeth Chojnacka gives a harpsichord recital, with music ranging from Rameau to Ligeti and Ohana. Sun: Thomas Demenga gives a solo cello recital with music by Heinz Holliger, Klaus Huber, Berlo and Britten (289982)

■ HEIDELBERG

Stadthalle 20.00 Piano recital by Michael Ponti, with music by Liszt and Chopin. Sun: Cosi fan tutte at Heidelberg Castle. Sun: concert of sacred music by Mozart and Pergolesi in the Peterskirche. The Heidelberg Castle Festival runs till September (06221-583521)

■ LONDON

DANCE Coliseum 19.30 Ballet Nacional de Espana in a programme of five works, including Alberto Lorca's flamenco display Ritmos and Jose Granero's Medea. Repeated tomorrow and Fri, with matinee and evening performances on Sat

Covent Garden 20.00 Mark Ermier conducts Elijah Moshinsky's production of Attila, with Barseg Tumanyan in title role, Karen Huffstodt as Odabella and Dennis O'Neili as Foresto, also Fri. Tomorrow and Sat La fanciulla del West, with Mara Zampieri as Minnie (071-240 1066) Royal Festival Hall 19.30 Alexander Nevsky: screening with English sub-titles of the complete Eisenstein film, with Prokofiev's music performed live by the Royal Philharmonic Orchestra conducted by Yuri Temirkanov, with Christine Cairns and the Brighton Festival Chorus, Repeated tomorrow

(071-928 8800) Queen Elizabeth Hali 19.45 Emma Johnson, clarinet, joins the Endellion Quartet for a chamber music programme including Brahms Clarinet Quintet. Sat: Atar Arad joins the Endellion for two Mozart string quintets. Sun: Norbert

Brainin, Martin Lovett and Artur Pizarro join the Endellion in a performance of Brahms' String Sextet No 1 (071-928 8800) Royal Albert Hall 19.30 Andrew Litton conducts the Bournemouth Symphony Orchestra in Gershwin's Cuban Overture and the second symphonies of Bernstein and Sibelius. Tomorrow: Sabine Meyer plays Mozart's Clarinet Concerto. Fri: Edward Downes conducts Elgar, Dvorak and Holloway (071-823 9998)

THEATRE

New Shakespeare Company: Judi Dench directs The Boys from Syracuse (Open Air Theatre, Regents Park), the Richard Rodgers musical based on Shakespeare's Comedy of Errors, Including songs such as This Can't Be Love. The cast is led by Peter Woodward, Louise Gold and Richard O'Callaghan. Opening tonight, runs till early September no performances on Sun. NSC productions of Macbeth and A Midsummer Night's Dream return to the repertory in early August. Royal Shakespeare Company: Ian Judge's colourful, camp production of The Comedy of Errors is showing tonight and tomorrow (Barbican). On Fri and Sat, the company presents Chekhov's The Seaguil, with a cast including Susan Fleetwood, Simon Russell Beale and Roger Allam, directed

by Terry Hands. In The Pit, the

RSC has Sam Mendes' production

of Troilus and Cressida tonight and tomorrow, followed on Fri and Sat by Nick Dear's version of Tirso de Molina's bawdy morality play The Last Days of Don Juan. For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MUNICH

Stastsoper 19.30 Valery Gergiev conducts Johannes Schaaf's production of Boris Godunov, designed by Wolfgang Gussmann. The cast is led by Paata Burchuladze, Julia Varady and Kurt Moll. Tomorrow and Sun: Silvio Varviso conducts Der Rosenkavalier. Fri: Der fliegende Holländer. Sat: Le nozze di Figaro Herkulesssel der Residenz 20 00 Margaret Price gives a Lieder recital (221316)

■ NEW YORK

MUSIC Philharmonic in the Parks 20.00 Zdenek Macal conducts New York Philharmonic Orchestra in a free open-air concert with fireworks a programme of Mozart's Prague Symphony and Mahler's First. Philharmonic in the Parks programme runs till July 31. For more information, call Parks Hotline (580 8700) Avery Fisher Half 20.00 Armin Jordan conducts the Mostly Mozart Festival Orchestra in a Mozart and Schubert programme, with soloists Joshua Bell and Richard Goode. The soloists tomorrow and Fri are Emanuel Ax and Dmitry

Sitkovetsky. Sat and Sun; Roger Norrington supervises a weekend of Mozart events focusing on the year 1791 (675 5030) New York Stale Theater 20.00 Steven Sloane conducts Frank Corsaro's production of Tosca, with Martha Thigpen in title role, Antonio Barasoda as Cavaradoss and Harry Dworchak as Scarpia, repeated on Sat at 14.00. Fri:

Bizer's Pear! Fishers. Sat evening: new production of La traviata. Sun: Sondheim's A Little Night Music (870 5570) . OFF BROADWAY THEATRE

The Good Times Are Killing Me

is Linda Barry's play with music, directed by Mark Brokaw, about the coming of age of two girls, one white and one black, as they explore the mysteries of adolescence, divided families and racism (Minetta Lane Theater, 18 Minetta Lane, 420-8000). The Matchmaker is a revival of Thornton Wilder's farce set in Little Old New York in the 1880s. Directed by Lonny Price, with Dorothy Loudon and Kenneth Mars (Roundabout Theater, 100 East Seventeenth Street, 420-1883). Rhinoceros is a revival of ionesco's 1960 play about the absurdity of the human condition, directed by Anne de Mare (House of Candles, 99 Stanton Street, 353-3088). Line is Israel Horovitz's long-running play about five people who want to be first in line (13th Street Theater, 50 W. 13th Street,

selis tickets (246 0102)

Ticketron answers inquiries and

■ PARIS

675-6677).

Egilse Saint-Severin 20.30 Christophe Rousset conducts II

Seminario Musicale in Jomelti's Lamentations of the Prophet Jeremiah, with soloists Catherine Dubosc and Gerard Lesne. Tomorrow at Forum des Halles: Philippe Herreweghe conducts Schoenberg's Pierrot Lunaire (4804

9801). A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling

ROME

Caracalla 21.00 Gala concert with Marilyn Horne, Eva Marton, Barbara Hendricks and Katla Ricciarelli. Tomorrow and Sun: staged performance of Nabucco. Fri: Aida. The Carecalia Festival continues till late August (488 3641)

■ VIENNA

Konzerthaus 20.15 Manuel Hemandez-Silva conducts Vienna Mozart Orchestra, performing in historical costumes, also Fri (712 1211) 1.axenburger Schloss 20,00 Piano recital by Oleg Malsenberg, with music by Tchalkovsky and Schumann. A special bus to

Laxenburg leaves the Staatsoper at 18.45 and returns shortly after the concert (512 7381) Schönbrunn 20.00 Artis Quartet plays string quartets by Mozart. This is part of the Wiener Musiksommer series. Tomorrow in Arkadenhof: Igor Oistrakh is soloist with the Swiss Youth Symphony Orchestra (4000 8410) Schönbrunner Schlosstheater 19,30 Vienna Chamber Opera production of Don Giovanni, also tomorrow. Fri and Sat: Le nozze di Figaro.

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Wednesday July 24 1991

A dangerous alliance

THE revelations about South African government funding of Chief Mangosuthu Buthelezi's Inkatha Freedom Party reveal a strategy as dangerous as it is unethical. There has long been speculation that President FW de Klerk and his cabinet envisage an alliance with Inkatha hich would ensure their domination of a post-apartheid South Africa, at the expense of the African National Congress

Speculation has become near-certainty, with the government's admission that state funds have been channelled into Inkatha and its associated trade union: and amidst a welter of allegations, it is now difficult to avoid the conclusion that the links extend to government complicity in the township violence which has cost thousands of lives, and which by intimidating ANC supporters has benefited

Were Mr de Klerk president of a democracy his position would be in jeopardy. His release of Mr Nelson Mandela, the ANC leader, was the act of a courageous politician, albeit one who was being forced to acknowledge pressing political and economic realities. It now turns out that at the same time he was funding a secret campaign to boost Mr Mandela's rival. It is unlikely that Mr Mandela will again describe President de Klerk as a man of integrity.

Delayed measures

He is, nevertheless, as essential to South Africa's transition to democracy as is Mr Mandela himself. But if the now stalled negotiations are to get off the ground, Mr de Klerk has to take measures too long

The first step is to end an alliance which has already done considerable harm to South Africa, and which - if pursued in the same way - is capable of doing much more

An electoral pact with Mr Buthelezi attracts many white South Africans. Mr Buthelezi never supported sanctions. He has always advocated a mixed economy, and argued that vio-lence was not the way to end white rule. His natural constituency appears huge. The Zulu tribe of which he is a chief numbers some 7.5m, the largest single ethnic group, making up over 20 per cent of the population. Simplistic electoral arithmetic combines the Zulus, 5m whites, and 4m coloured and Asian votes. Put this in the context of a constitution which emphasises minority rights and highlight divisions within the ANC, and the alli-

Wishful thinking

ance may look feasible.

Yet no-one should know better than Pretoria that this wishful thinking will not work. South Africa supported compa-rable strategies during the lependence process in Zimbabwe and Namibia and failed. In both cases political parties were funded, dirty tricks employed, and ethnic divisions encouraged, in an effort to defeat the African nationalist

It is doomed to fail in South Africa. It is far from certain that Mr Buthelezi commands majority support among the Zulu, and he has no significant support outside this ethnic

At the same time, Mr de Kierk must urgently set about reforming the security services. This should begin with the dismissal of General Magnus Malan, the defence minister, and Mr Adriaan Vlok, the law and order minister. It has long been clear that neither man is prepared to discipline officers and men who, with or without government connivance, instigate political vio-

Mr de Klerk should also appoint a judicial commission of inquiry into the Inkatha affair, with a remit which includes the wider use of government funds in support of party political objectives. And he should give way to long-standing demands for an independent investigation of the allegations of the involvement of the security forces in township violence.

Only last month Mr de Klerk, reviewing the wide-ranging reforms his govern-ment had introduced, declared: "The political playing field has been made equal." As long as he fails to act, these words have a hollow ring. As long as they do, the process of read-mitting South Africa to the congress of civilised nations

Scotland and the union

THE FUTURE of the union with Scotland is the most pressing constitutional issue facing Britain. Among Scots, support for further devolution is consistently overwhelming, of the parties, all bar the Conservatives now support a Scot-tish parliament with fiscal and legislative powers; and with the European Community a nascent federation, outright separation – "an independent Scotland in Europe", as the Scottish National Party puts it — sounds more plausible than

at any time since the rout of the Jacohites. Yet most British or rather English - politicians have yet to wake up to the implications of conferring autonomy on Scotland.

For Scotland, greater autonomy is not only viable, it accords with the subsidiarity principle Community politi-cians (including Mr Major) preach, and the rest of democratic Europe — even Spain and (more tentatively) France — now practises. Scotland has its own distinctive law, culture and politics; it already enjoys administrative devolution; its economy and 5m population are larger than those of most American states. If a majority of Scots call for a parliament in a referendum, there has to be a powerful reason to deny them. With the single European mar-ket at hand, economic fears

Labour is committed to creating a Scottish parliament within a year of taking office. Its parliament will have "legislative and revenue raising pow-ers and economic responsibilities", and the party cites the report of the Scottish Constitutional Convention - which embraces Labour, the Liberal Democrats, trades unions and churchmen - as "a sound basis" on which to proceed.

Wide implications

Were such a parliament to be established, however, the implications for the union would be far-reaching. Among the questions that arise are the following: what relationship should Scotland have with the English exchequer? Should the sovereignty of the Westminster parliament be limited in Scotland - and if so, how? And why should Scots MPs thereafter have any say over English legislation?

Variations on this last theme - the so-called "west Lothian question" - have plagued every attempt at devolution within the UK since Gladstone struggled with Irish Home Rule. Westminster is both the "state" parliament of England (and other regions without devolution) and the "federal" parliament of the United King-dom. Follow federal logic, and England should get its own parliament as part of any devo-lution settlement.

Rare logic

Logic, however, rarely features in Britain's constitu-tional arrangements. Labour is instead proposing to balance a Scottish parliament with a weaker form of devolution for the regions of England. This ignores the awkward fact that that most English people remain to be persuaded of the value of regions; and that, however desirable regional autonomy may be in principle, the chaotic state of English local government may not make the next few years the most auspicious time to define yet another set of boundaries and responsibilities. Even if a Labour government could solve these problems, there would be a long interim period during which England would have a democratic deficit with Scotland. In short, the West Lothian question persists.

An alternative course, following Stormont, would be to leave Scots MPs at Westminster, with full voting rights but in reduced numbers. Scotland already has 13 MPs more than it should, if all votes were equal. Home rule would be hard to justify without a significant reduction.

With a fifth of Labour MPs sitting for Scottish seats, the party politics involved are obvious. Labour has to find a formula to pacify the Scots without sacrificing all hope of governing England. Those who favour Scotland's just desire for greater independence, however, must not be allowed to shirk the more difficult impli-cations. The Scottish debate illustrates very clearly the urgent need to re-consider the central constitutional issues facing the United Kingdom, from electoral systems to the form and function of local gov-

and the state of t

onfidence, that fragile com modity, is suddenly a pivotal factor again in the financial markets. Depositors big and small have relearnt an old lesson, that high returns involve above-average risk. In the wake of the BCCI closure those risks are perceived to have

There will be obvious parallels drawn with the onset of the secondary banking crisis in the UK in 1973, when London and County Securities, a fringe lender which was active in the property market, encountered a funding emergency. Dozens of other secondary banks soon also found themselves frozen out of the money markets, and could not replace deposits as they fell due.

The famous Bank of England lifeboat set sail; it was a mechanism through which deposits raised by the clearing banks and other top-quality institutions could be recycled to the fringe operators. At its peak in March 1975 the lifeboat was lending almost £1.3bn, say £5.5bn in today's money, and the vessel was not finally winched back up the slipway until the start of the 1980s.

In good times there is little risk in lending to banks, even fringe ones, and depositors adjust their behaviour accordingly. For a tiny interest rate premium, often only & per cent or % per cent, they will switch deposits away from mainstream institutions towards those on the fringe. In these conditions, as in the mid-1980s, it is comparatively easy for new and enter-prising financial institutions to be founded. This happened in the case of National Home Loans Corporation (NHL), which was launched in 1985 to develop a new niche in the growing market for mortgages, then only quite recently completely deregulated.

But the closure of BCCI has pro-vided a painful reminder to thousands of depositors, including treasurers of companies and local authorities, that the level of risk has increased again. The difficulties of NHL indicate that a

flight to safety has begun. This is not quite 1973 all over again. The closure of BCCI was in response to an alleged long-running fraud. rather than any particular recent crisis (London and County's failure followed a property market collapse). Nevertheless there has been a serious deterioration during the past two years in the general banking climate. When NHL was set up it was umed the risks involved in properly secured and documented first mortgage lending on British residential property were just about nil.
Today, the UK house market is deep
in slump and mortgage arrears are
rising to unprecedented levels. Yesterday the US credit rating agency Standard & Poor's warned of a potential

esterday's news that eight clearing banks have had to assemble a lifeboat for National Home Loans is a indication of how rapidly fortunes are changing in the UK mortgage market

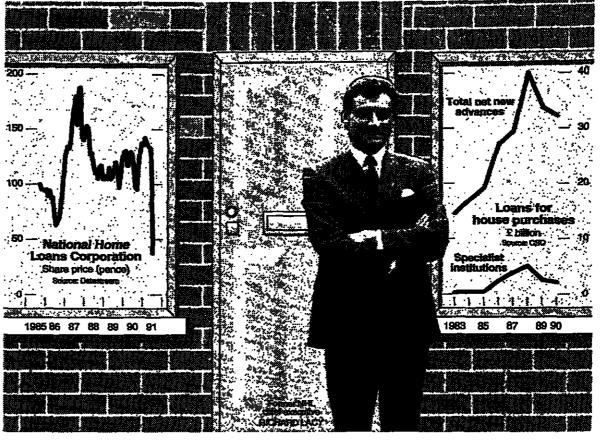
Three years ago, when the housing market in Britain was at its peak, building societies were struggling to retain their traditional place in the

The most formidable of the band of aggressive new lenders that they Hone Loans. Under its then chief executive, Mr Richard Lacy, it appeared to be riding the crest of a wave. The company entered the mar-ket with a stock market flotation in 1986. It quickly pushed its way into the top dozen UK mortgage lenders, by offering sophisticated mortgage products, such as low-start mortgages, long before the building societies had learned how to do so.

It tapped the commercial money markets for cheap funding and sold its mortgages through insurance companies, so avoiding the costs of a branch network.

"For us, it is the insurance salesman rather than the customer who is Problems at National Home Loans indicate rising financial risks, writes Barry Riley

Beginnings of a flight to safety



downgrading of certain mortgage-backed securities issued by one of NHL's rivals, The Mortgage Corpora-tion, partly because of doubts over the insurance cover attached to them. It is possible to construct doomsday scenarios about a downward spiral in UK house prices and about unexpected specific risks - after all, NHL suffered a £3.5m loss on mortgage fraud last year. Still, the company remains

even at the current lower levels. The risks of lending to NHL are not no longer entirely negligible. The affair illustrates the dangers of depen-dence on the wholesale money market. This is an active professional market, conducted by telephone and fax, from which confidence can evaporate overnight. The first step may be a widening of deposit rates, but this

may aggravate the problem rather than solve it, if there is perceived to be a significant risk no interest rate could be enough to compensate, because the corporate treasurer dreads an appearance in newspape: stories about a busted bank, and the probable loss of his job.

There are many examples of the sudden collapse of institutions, such as the solvency crisis of Continental

excessive dependence on corporate treasurers. In contrast, retail depositors tend to be more loyal, and only very rarely does confidence among the general public collapse to the extent that it leads to that ultimate bankers' nightmare, the queue of panicky depositors waiting for the bank to open on a Monday morning.

Most deposit-taking institutions have taken on board the lessons of 1973. Even in NHL's case part of its funds have been obtained in a more stable, longer-term form. Yesterday First National Finance Corporation (FNFC), one of the main clients of the 1970s lifeboat, with support of £350m, thought it wise to issue a statement.
FNFC, which returned to robust profitability in the 1980s but has now lipped back into the red because of had debts, was reassuring. "Funding is composed of matched medium-term committed bank lines," it said, which in layman's language meant it did not raise funds on a short-term basis. It is not vulnerable to a liquidity crisis, and the worst that could happen is it might find it difficult to finance new

The current crisis will not lead to a series of failures, but there could nevertheless be important consequences, ertheless be important consequences, because the dominance of a relatively few leading banks at the heart of the financial system will be reasserted. Fringe institutions such as BCCI or British & Commonwealth Merchant Bank can be closed and the assets of their depositors frozen, but this could be a second to be the clean. not be allowed to happen to the clear-ing banks because of what the regulators describe as the "systemic risk" to the banking sector as a whole.

The power of the big banks wanes in prosperous times, when small competitors multiply and expand. But it waxes at periods such as this one, when many of the fringe institutions are forced to turn to their big brothers for protection. Smaller com-panies such as NHL may survive, but the assistance comes at a heavy price, and they may find it hard to compete

as the cost of funds rises. Historically the Bank of England has been keen to promote a wide variety of financial institutions in the UK, as a way of creating an enterprising and competitive international financial centre. But that can create risks when times turn more difficult; and if panic were allowed to develop, per-fectly sound institutions might be swept away, with the marginal ones. Moreover, as the past few days have demonstrated, the Bank comes under pressure to hall out depositors indiscriminately. In the circumstances, it is forced to place the emphasis back on the core of leading banks. Lifeboats may not be very comfortable or efficient, but with luck and good helmsmanship they are unsinkable.

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House in need of repair

ultimately the king," NHL executives would say privately. Mr Lacy, a former building society executive, rapidly became the star of his industry. When the industry banded together in the Council of

Mortgage Lenders, he was the natural choice for its first president. The rewards of success were equally gittering. NHL's 1989 annual report disclosed — to the fury of many competitors — that Mr Lacy received a salary of £425,000 in the previous year, far above the salaries of the best wild directors of Received. of the best-paid directors of Barclays Bank and National Westminster. The chief executive of Alliance & Leices-ter, the building society where he cut his testing across less than a quarter of Mr. Lagge solery. of Mr Lacy's salary. The market was less impressed

with NHL's performance. By 1989 the housing market had turned down as the banks' base rate climbed, forcing up the funding costs of NHL and other new lenders and restoring the

advantage to building societies which had cheaper funding from savings

NHL's share price languished at about 110p for two years from mid-1988. There were some specific signs of weakness in the company which disturbed analysts. One was that much of its mortgage lending was to borrowers who did not have to prove

their income. Instead the group relied on lending to customers who could put up a sub-stantial chunk of the price of a house. "If a third of the value of a house is "If a third of the value of a house is the customer's own money, he is going to fight hard to stop it going into acrears," officials at NHL's new-ly-built Solihull headquarters would say. "Because if things go wrong, the customer knows that it is his third of the money which will go first."

In just over they were NHL sold

In just over five years, NHL sold 25hn worth of mortgages, 22.5hn of which were were packaged into mort-gage-backed securities and sold off to

When the clouds began to gather over the market, the group began to diversity into new lines of business, setting up four new divisions for commercial lending, consumer loans,

observers as a shade panicky, but last November the group was able to announce fairly satisfactory results, with pre-tax profits of £30.25m, only a little down on the £33.58m in 1989. By then however Mr Lacy had

equipment leasing, and banking.

gone, ejected at the end of February 1990 after a board room coup. Col-leagues complained that he had been too concerned with grooming his public image and leaving nitty-gritty

detail to others.

Mr Kevin Milner, the former finance director, took over as chief executive. He spoke confidently of plans for the group stretching into the mid-1990s and beyond. But when the group unveiled its

half year results in May, profits had tumbled from £15m to £10m, and the group had been hit by a mortgage fraud. Two weeks ago, James Capel, the brokers to the group, sent jitters through the market by downgrading its profits forecast for the year en from £24m to £13m, on the assumption that NHL would have to make A day or two earlier, Mr Milner

had warned of coming redundancies new subsidiarles were now being merged into a single division.

On the mortgage markets, NHL is these days said to be only a modest

lender, nursing its way back to health until the mortgage market

The sudden loss of confidence by local authorities in the wake of the BCCI crash had little direct link with the group's existing malaise, but it came at a time when it was at its most vulnerable. NHL has not been put out of business by the latest blow, but confidence in it will take a long time to rebuild.

David Barchard

Eastward Howe

King-making seems to be addictive. Sir Geoffrey Howe, part of the troika that toppled Margaret Thatcher last year, is turning his attention to an even more troubled reign.

He is to serve on a high-pow ered advisory council to the Ukrainian parliament, which displayed unprecedented independence last month by refus-ing to sign the Union Treaty according to President Gorba-chev's timetable. The previously quiescent Ukraine, which is equivalent to France in terms of its 53m population and size, is now regarded as the republic most likely to cause the Soviet Union to fall apart, not the Baltic states.

Realising that independence from the Russian behemoth to the east requires greater contact with the west, Bohdan Hawrylyshyn, a Ukraine emigre and ex-head of the International Management Development institute in Switzerland, seems to have had no difficulty collecting an impressive foreign cast for his

new council. Apart from Howe and one-time Labour minister Shirley Williams, others include Professor Lester Thurow, a former member of the US council of economic advisers; international financier George Soros; Canada's Marc Lalonde; Romano Prodi, ex-president of Italy's IRI; Switzerland's Kurt Furgler; and Saburo Okita, erstwhile Japanese minister of foreign affairs.

The new body, which will probably hold its first meeting in Klev in September, will advise the Ukrainians on everything from a new constitution to privatising industry. It is expected to operate for up to 18 months and will require between five and 12 days of the advisers' time. The length of time it has taken Howe to make up his mind may have reflected his concern not to jeopardise Britain's ties with the Kremlin.

Observer

However, the fact that the Ukrainians were also talking to Mrs Thatcher may have tipped his hand. One up to you, Sir Geoffrey.

Gray issue

■ The sacking, or non-sacking, of Ian Gray as managing direc-tor of the holding company of Tottenham Hotspur football club casts intriguing light on Alan Sugar's first run at taking over a quoted company. Gray says he was sacked by Sugar, Spurs' new chairman and head of Amstrad, on July 5. But Tottenham insisted Gray was still managing director. When the Stock Exchange inquired about the clash, it was told to take the company's

statement at face value. Being scarcely a person to be mistaken about being sacked, Gray has so far remained at home, pondering his future, changing napples and pursuing a claim for breach of contract.

All this comes at an awk-ward time for Sugar and his partner at Tottenham, Terry Venables, who has leapt from the dugout to be chief executive and is the only executive director on site at present. Having bought 36 per cent of the equity, Sugar and Vena-bles have been forced to extend

their 75p-a-share offer to other shareholders. They would prefer to spend their remaining £4.5m on backing a rights issue rather than buying shares. With the offer closing today,

it remains to be seen whether the shenanigans over Gray have deterred shareholders from staying on board.

■ It would have been better

if Exco. the healthy money

irroking arm of the collapsed British and Commonwealth

empire, could have hired

Ex-broker

(BANX)

"Have you noticed how the print comes off on your hands?"

another ex-Bank of England With so much dirt flying

around the money broking world these days, there is a need for a few more upright non-executive figures at the top of the business. Mosselmans, chairman of

and a director of Coutts, is by all accounts terribly well con-nected. He also has the advantive chairman of Sedgwick. Richard Lacy, Exco's current chairman and chief executive,

refuses to be drawn on the sig-

nificance of splitting his job

in two. But it is yet another

tors are keen to get some of their money back by floating

sign that the B&C administra-

versary of Exco's original £60m stock market debut - would be nice and appropriate. Taking a gamble ■ Meanwhile over at Royal Insurance, one of the weaker UK composites, the top management reshuffle looks to be happening fast. Only four months after newcomer Richard Gamble leapfrogged Robert International Int Rowland into Royal's new post of chief operating officer, Gamble seems to have consolidated his claim to be the group's

next chief executive.

Present incumbent Ian Rush-

ton has been elevated to vice-

chairman, and although no

role as finance director, is of

an age that that rules him out for the top job, as is Bill Buckley, the group's new US executive director.

an outsider like Gamble will

be better equipped to attack Royal's deep-seated problems, the more conservative would

prefer to see a diehard insur-

ance type still in command.

While many onlookers think

Exco on the stock market later this year. November - the tenth anni-

one has been designated chief executive, with Rushton now chairman of the Association of British Insurers many of his duties will fall to Gamble. Michael Dowdy, brought in from Wimpey to fill Gamble's

type of the stature of Hilton Clarks, to be its new non-exec-utive chairman. But in the event the 62-year-old Carel Mosselmans looks a safe enough choice.

Rothschild Asset Management nected. He also has the advan-tage of having spent most of his working life in another "people" business, insurance broking, and has not been tainted by any of the Lloyd's scandals. The downside is he was not viewed as a very effec-

Privy seal In squeaky clean Singapore, where it is an offence not to flush a public lavatory, the search is on for the most pristine public convenience. An original field of 900 entries for the seal of approval has been narrowed to 16, all of which will be visited by two teams

of judges.
Prizes include a certificate for the cleaning contractor and US\$285 plus a meal voucher for the janitor. The maximum fine for not flushing a public toilet in Singapore is US\$570. Evidently no need for a



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TRADE FAIR AUTHORITY OF INDIA

LETTERS

Institutional merger that is an obvious step

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David Barchii

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Sir, The engineering professir, the engineering prones-tion may once again have taken a giant leap backwards in its quest for greater respect and influence. In the 1980s, it was the Engineering Council which sought to create a sense of unity by instilling it from the top down. But the numerous member institutions disliked both the concept and the

Now we have the sad spectacle of the institution of Electri-cal Engineers deciding peremptorily to withdraw from discussions with the Institu-tion of Mechanical Engineers about a possible merger. This was not just a decision against integration but a decision to stop even considering it. The dismay of many members will be heightened by the recollection that it was only a few years ago that the IEE merged with the Institution of Electronic and Radio Engineers to the benefit of both.

Why then is the IEE council so fearful of the next logical step? Does it seek to build a fence around electrics and electronics or is it only the name which is a stumbling block? If the latter, then solutions are not hard to find; this would be the biggest single institution in Europe and its door should be clearly open to others.

But perhaps they have stalled on the traditional division between disciplines and func-tion. The real world is not served by electrics or mechanics but by systems and equip-ment which encompass both, and often more. Industry and customer alike have been struggling with that integra-tion for at least 40 years. The demands of the products should shape the profession and it might then receive the respect it deserves.

I fervently hope that the IEE council's action is no more than a pause for thought. R V Holley, 55 Larksfield, Englefield Green,

EC answer

From Mr David Morris. Sir, Your report on the referendum law for the Czech and Slovak republics (July 20) to decide their future shape and status has lessons for Northern

For 20 years the military and politicians have failed to bring peace to the province. Is it not time to give the Community a chance to settle the problem. David Morris, Flat 3.

9 Lewes Crescent Brighton BN2 1FH

Baltic states undermined by bilateral treaties

From Mr Michael Spicer MP.
Sir, Samuel Brittan's appropriately sceptical article, "Gorbachev's place: at arm's
length" (July 18), observes that
the Soviet president's "practical willingness to allow early
independence for the Baltic independence for the Baltic states should be a test case. Their annexation was the result of the notorious Molo-

tov-Ribbentrop pacts. It remains invalid in international law and has never been recognised by the west".

Unfortunately, although the first part of the last sentence is correct, the second part has recently been undermined by a series of bilateral treaties which the Soviet Union has signed with leading European states, including Germany, France, Italy and Spain. Article 2 of the Soviet-German Treaty on Good-Neighbourliness, Partnership and

Co-operation, signed by President Gorbachev and Chancel-lor Kohl on November 9 1990 in Bonn, provides, in part:
"The Federal Republic of Germany and the Union of

Soviet Socialist Republics undertake to respect without qualification the territorial integrity of all States in Europe within their present frontiers. They regard as inviolable the frontiers of all states in Europe as they exist on the day of signature of the present Interviewed by journalists at the close of the G7 meeting, Mr Nicholas Brady, the US trea-

sury secretary, spoke of the importance the United States attaches to the Soviet Union's permitting the Baltic States to acquire political independence. It is all the more regrettable that Germany should have signed a treaty with the Soviet
Union precluding any alteration to frontiers in Europe.
The full texts of all the bilateral Soviet-European treatles have just been reproduced in a booklet entitled The Soviet Agenda For Europe, published

by World Reports. Michael Spicer, House of Commons,

to be substantial cuts in interest rates to reflect the satisfac-

tory progress that had been made, at least in the market

sector, in squeezing inflation

Confidence is fragile enough without Roy Hattersley putting

103 New Oxford Street, WC1

Meaning well

Sir, It would appear from your article, "Confessions of a non-executive" (July 15), that there is little point in having

non-executive directors. Why

did the intrepid non-exec not

press his case further and why, if he cared for Sketchley's future so much, did he not put

himself up for re-election? I

think this is another example

of British management mean.

ing well but having no strategy

Waverley Components and

Sanjay Purohit,

marketina manaaer

From Mr Sanjay Purohit.

out of the economy.

words into my mouth.

John Banham,

director-general,

Centre Point,

When a recession is a recession but certainly not a slump

From Mr John Banham. Sir, Roy Hattersley incorrectly attributes to me (Parliament and Politics, July 19) the statement that Britain is not suffering from a recession but from "a slump".
I said no such thing. In con-

cluding an interview on the BBC Radio 4 Today Programme on Thursday, the interviewer, Brian Redhead, said: "I find, certainly in the north of England, people have stopped saying recession; they now say slump. They say it is much worse than what they went through in 1981-82. Do your members endorse that

In reply, I agreed that CBI members were indeed finding things worse than in 1981-82. That morning I received fig-ures showing that the decline in aggregate sales from 1989 to 1992 will exceed the 12 per cent fall from 1979 to 1981, and is likely to match the 19 per cent fall from 1973 to 1976. But at no time did I state that Britain is in a slump. Even if the level of output does not improve later this year, the fall in output between 1989-1991 will have been about 1.5 per cent. This compares with falls of 3.3 per cent in the period 1973-75, and 4.2 per cent between 1979-1991. The key to getting things turned around is a restoration of business and consumer con-

Products, 16 Caxton Way, Watford Business Park, Watford, Herts WD1 8UA Fax service LETTERS may be taxed on 071-873 5958. They should be clearly typed and not band-entition. Please set fax machine for fine resolution. fidence. That is why, in the same programme, I made very clear our view that there needs

unemployed

ling. Yet where does the unem-ployed person turn for counsel-What is needed is a proper

unemployed people. David Everett, Church Action with the Unemployed, 45B Blythe Street,

Standards for social workers

From Mr Simon Randall. Sir, In your July 22 leader you rightly drew attention to the critical state of social work provision. A key aspect to this, and one that the government will doubtless be considering in its response to Staffordshire County Council's report on pindown" practices, is the lack of properly trained and qualified staff who have to deal with situations many of us would find intolerable.

It is ironic that 80 per cent of social workers in residential homes are unqualified and yet it is the children in these homes who are likely to be the most alienated and difficult, and therefore the ones most in need of expert care. At the very least, it is surely essential that an agreed set of minimum training standards should be introduced and that staff be more closely monitored than

The feasibility of this highwork staff.

23 Buckingham Gate, London SW1

Counselling need for the

From the Rev. David Everett. Soviet Socialist Republics Sir, Your editorial about unemployment in Europe (July 19) is right to call attention to the different needs of unem-ployed people: recently unemployed people need to maintain contact with the labour market, long-term unemployed people need to keep skills alive retrain in new skills.

What both groups have in common is a need for counsel-

unselling service for unemployed people, whether recently redundant or long-term unemployed. Church Action with the Unemployed is looking for partnerships with companies, Tecs, churches, and caring agencies to develop redundancy seminars and counselling provision for

hitherto.

lights another issue. The dominant problem now for London's social services is not a shortage of staff but a shortage of money. Two-thirds of London boroughs are now restricting their recruitment of social Simon Randali,

Housing & Social Services Committee, London Boroughs Association,

Robert Mauthner

Nuclear age is not over



In the bad old days of the cold war, any significant arms agree-ment was her-FOREIGN ernments and

AFFAIRS public opinion as an historic event, mark-ing a turning point in relations between nations on either side of the east west barrier. That is no longer the case, as demon-strated by the relatively low-key reception given to the strategic arms agreement fina-lised by President George Bush and President Mikhail Gorba-chev during the Group of Seven summit in London last

week. The old clichés such as "milestone" and "landmark" were still produced to describe the Strategic Arms Reduction Treaty (Start), which the US and Soviet leaders intend to sign at their meeting in Moscow later this month. But it was more out of a sense of relief that such a long and complicated process - it has taken 10 years to negotiate the agreement - has at last been brought to a successful conclusion than the result of real conviction that Start was of momentous significance.

It is now generally accepted that while arms control can contribute to the easing of international tension, it is mostly the result, rather than the cause of political detente. If it had not been for Mr Gorba-chev's political will to improve relations with the US and bring the cold war to an end, neither the 1987 intermediate range missile treaty nor last year's conventional forces agreement would have seen agreement would have seen the light of day. The latter accord, in particular, was the culmination of a political process which ultimately brought about the destruction of the Pacific Well. the "2 place 4" Berlin Wall, the "2 plus 4" agreements ending the rights in Germany of the four victorious second world war allies, the disengagement of the Soviet Union from eastern and central Europe and the unifica-

tion of Germany itself.
The Start agreement has therefore come well after the end of the cold war. It is the icing on the cake of develop ments which have radically transformed relations between the superpowers and the situation in central and eastern

Start is a small mercy, but further arms cuts could be made without disrupting deterrence

Europe. But the agreement will not add qualitatively to the political results already

achieved.
Nor will it fundamentally after the military capabilities or balance between its two sig-natories, the US and the Soviet Union, unlike the conventional forces treaty (CFE), which eliminated Moscow's over-whelming superiority in con-ventional arms in Europe. Each side will still be left with a huge arsenal of nuclear mis-siles, warheads, bombs, heavy bombers and submarines.

But we must be thankful for small mercies, Start is the first arms accord under which nuclear weapons and their launchers will actually be reduced. But the bald statement that each side will cut its overall number of nuclear

the risk of war has been low-ered, it is not thanks to the Start agreement but to the new international political climate. The Soviet Union's military and political withdrawal from eastern Europe, the severity of its domestic political and eco-nomic crisis and Moscow's new willingness to co-operate with Washington within the United Nations on responding to threats to international peace such as Iraq's invasion of

Kuwait, have all reduced the risk of a large conflict. Moreover, the US has built up its huge nuclear arsenal as a direct response to the Soviet Union's superiority in conven tional forces in Europe, which have now been greatly reduced. Not only has the threat of Soviet military occu-

There is a clear need for the US and the Soviet Union to improve their capacity for managing crises by devising better political and physical control mechanisms for nuclear weapons

weapons by between 25 per cent and 30 per cent - down, incidentally, from the original target of 50 per cent - gives a misleading impression. It all depends on the starting point, and that was extraordinarily high. Even after the agreed reductions, both sides will still have 1,600 intercontinental and sea-launched missiles, the US will possess about 9,000 nuclear warheads and bombs, while the Soviet Union will have about 8,000 of these weapons. Sea-launched cruise mis siles and the development of space-based weapons have been excluded from the treaty, as have the French and British nuclear arsenais. "The result [of the agree

ment] will be greater stability and a lower risk of war," Mr Bush and Mr Gorbachev said in a joint statement after their Malta summit in December 1989. Yet many military experts believe that the cuts in warheads could have been twice as great, without undermining nuclear deterrence. If

there is no longer any danger that the west will be engulied by a moribund communist ide ology. Why, therefore, should there be any need for the superpowers to retain any nuclear weapons at all?

Many will be tempted to reply that there is no longer

any need in present circum-stances. But situations change quickly. The role of defence policy is to be prepared not only for immediate, but for unexpected future threats to national and international While an east-west military confrontation in Europe now

appears to be out of the ques tion, Iraq and Yugoslavia are examples of smaller and more localised conflicts which can nevertheless easily ignite a whole region and even spill over into the south-eastern flank of Nato. A disintegration of the Soviet Union, bringing in its wake an intensification of ethnic conflicts and mass migrations, could have incalculable consequences for stability

in eastern and central Europe. What is more, nuclear weapons previously controlled by the Soviet president and a disciplined and loyal high command might fall into much less responsible hands.

responsible hands. At a time when western countries are running down their conventional forces to levels at which a repetition of the recent allied operations against Iraq can no longer be contemplated, and Iraq has admitted to developing its own nuclear weapons, the superpowers can hardly be asked to abandon entirely their ulti-mate instrument of defence and political leverage.

No rational government or leader could seriously contem-plate a conflict fought with strategic nuclear weapons. Yet the certainty that a nuclear first strike would be met with nuclear retaliation and the element of doubt that persists in an aggressor's mind that his opponent might use nuclear weapons in the last resort, has

kept the peace in Europe for more than 40 years. It is this war prevention role of nuclear weapons which remains unchanged. For the moment at least, it is most unlikely that the two powers which possess the greatest number of nuclear missiles and warheads would even contem-plate fighting each other. Yet others, such as Pakistan, Israel and Iraq, might feel much less constrained in their actions it the superpowers, already deprived of adequate conven-tional forces to undertake foreign operations, were to abandon their nuclear arms as

The right recipe for future arms control negotiations is thus not to abandon nuclear weapons altogether. It is to reduce them progressively to much more reasonable propor-tions than Start has done in a series of less complicated reements to be appended to

the original treaty.

Above all, there is a clear need for the US and the Soviet Union, and indeed France and Britain, to improve their capacity for managing crises by devising better political and physical control mechanisms for nuclear weapons. There is little point in reducing nuclear weapons, if it is still possible for a conflict to break out by accident or miscalculation even during a period of politi-

Future conditional: US trade relations with the Chinese

By David Hale



America's China increas-

past imperfect, present tense, future conditional – especially the latter. The US and other Group of Seven countries want to make aid to the Seviet Union conditional the Soviet Union conditional on comprehensive economic and political reform there. The US Congress is in the process of enacting legislation which would make the continuation of China's most-favoured-nation trade status conditional on the resumption of the political the resumption of the political liberalisation process which came to a halt in June 1989.

The difference between these two debates about conditions speaks volumes about the immense gap which has devel-oped between the Soviet Union and China during the past decade as well as about the complexity of American attitudes towards the return of for-

tudes towards the return of former state-controlled economies to the global market-place for goods and capital.

The Soviet Union is economically paralysed – suffering the shock of hyperinflation without the therapy of increasing output. This is because producers have neither market incentives nor a coherent state plan to guide their actions.

to guide their actions.

In China, by contrast, economic liberalisation has proceeded so rapidly that foreign trade is now equal to 16 per cent of gross national product—the same as Japan's. Although China has privatised only about 35 per cent of its factories, there has been a foreign investment boomlet in eign investment boomlet in Guangdong province, exports have expanded 20 per cent annually since 1987 and there could be a \$100n-\$15bn trade surplus with the US in 1991.

relations with fallen from 34 per cent in the the Soviet late 1970s to about 20 per cent Union and recently because of tax reforms
China increasingly resembles a grammatical table: itself (provinces and cities colpast imperlect most taxes). As a result of lect most taxes). As a result of the different speeds at which China's economic and political institutions are evolving, the country increasingly resembles a perplexing mixture of Europe at the end of the Middle Ages and a late 20th-century Asian newly industrialising country. Beijing has not yet accepted democracy, nor created a fully-consistent legal framework for capitalism, but commerce with the rest of the world is rapidly decentralising economic and political power within China.

It is the uneven pace of economic and political evolution which is jeopardising China's trade status with the US. Since 1989, China's mixture of export

1989, China's mixture of export 1989, Chima's mixture of export success and aborted democratisation have caused it to become a focal point for the tensions which characterise America's relations with the Third World. These include the tradition of moralism in US foreign policy, concern about human rights in a non-western society, attempts to control arms sales to Arab countries hostile to Israel, and defining acceptable rules for commercial relations with countries cial relations with countries which do not have free-market

traditions. traditions.

During the cold war, the US government typically divided developing countries into two categories: communist and non-communist. The communist countries were subject to trade sanctions and the non-communist countries were procommunist countries were pro-vided with incentives to pursue a capitalist form of economic development regardless of whether they were democratic

Meanwhile, the Beijing gov-ernment's share of GNP has relations with the Third World to reflect economic consider ations, not merely ideology. In this new order, a successful developing country is often regarded as a trade problem while an unsuccessful one is usually a banking problem. As a result of this commer-cial re-orientation of foreign policy, the US has become increasingly meddlesome in the micro-economic policies of

the micro-economic policies of Asian developing countries with large trade surpluses. It has demanded that they revalue their exchange rates or pursue structural changes designed to encourage imports. As developing countries mature, it is not unreasonable for the US to suggest that they should open their markets. But most US congressmen believe that trade access to China should not be solely dependent upon Beijing's adhering to internationally recognised commercial practices. The congressmen also want to use trade policy to promote democratisation within China as well as to punish Beijing for exporting weapons to the Middle Rast.

Although the intentions of the US Congress in the most-fa-voured-nation debate are laud-able, comprehensive trade sanctions could be counter-pro-ductive to the goals of encour-

ductive to the goals of encouraging freedom in China and restricting its exports of military technology.

The loss of most-favoured-nation status would strike hardest at precisely those those regions of China which have been most aggressively promoting economic and political liberalisation, including Guangdong and Shanghai, while strengthening the position of hardline isolationists in Beijing who want the economy to remain closed. It would also do significant damage to the econa capitalist form of economic development regardless of whether they were democratic or not.

Today, Washington is increasingly re-defining its remain closed. It would also do significant damage to the economy of Hong Kong, where will ultimately depend on China's successful integration into the

world economy. In setting criteria for accept-able behaviour by China, it is important to remember that few developing countries in the modern period have achieved true democracy prior to eco-nomic take-off. Taiwan has been under *de facto* martial law since 1949. South Korea and Thailand achieved their eco-nomic take-off under military rule. Singapore and Malaysia have been ruled by a single party since independence. The two most successful Latin American economies of the 1980s, Chile and Mexico, were then controlled by the military or authoritarian political par-

As a result of the diverse nature of the moral, economic and political questions raised by the debate about China's trade status its outcome will set an important precedent for the conduct of US foreign policy in the post cold war era. The US should use conventional trade law to punish China for dumping goods, encourage the development of a corporate code of conduct for China similar to the Sullivan Principles in South Africa, and support democratic reform within China through interna-tional political channels. But if the US Congress attempts to use unilateral

trade sanctions to guide politi-cal developments within China, it will neither control the outcome in Beijing nor enhance America's economic interests in a country where the national income could exceed Japan's in the early 21st century. Instead, Washington will watch in frustration as economic modernisation forces China to liberalise its political institutions in fits and starts while it continues to enjoy steadily increasing trade with Europe with, Japan and other

The author is chief economist of Kemper Financial Companies in Chicago.

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FINANCIAL TIMES

Wednesday July 24 1991

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Former president and vice-president of Japanese trading company face prosecution

Six men arrested over Itoman scandal

By Stefan Wagstyl in Tokyo

JAPANESE public prosecutors arrested six men yesterday in connection with the scandal involving Itoman, a Japanese trading company which was driven to the brink of bankruptcy through speculative investment in property and art.
The affair rocked the bank-

ing community last year and led to the resignation of Mr Ichiro Isoda, the chairman of Sumitomo Bank, Itoman's

The men arrested yesterday include Mr Yoshihiko Kawamura, Itoman's former president, who was sacked earlier this year. He is accused of improperly acquiring 8.28m Itoman shares between October 1989 and November 1990 with loans obtained from Itoman subsidiaries, in contravention of the Jananese commercial code. Mr Sadamu Takagaki, the former vice-president, was also arrested on a similar allegation. Prosecutors believe Mr Kawamura and Mr Takagaki may have tried to support the share price after details of fziled investments were made

public. Public prosecutors also arrested Mr Ho Yong Chung, an Osaka businessman, and Mr Suemitsu Ito, a former manag-

By Andrew Fisher in Frankfurt

FIRST evidence that west

German inflation this month

has moved above 4 per cent, a

level which some economists

feel could trigger interest rate

rises by the Bundesbank, came

yesterday from one of the country's biggest states, North Rhine-Westphalia.

The state, which includes the Ruhr industrial area.

announced that its provisional

rate of inflation for July - the rate is measured to mid-month

- was 4.3 per cent compared

with the same month of last

year.
This is the biggest monthly



associates of Mr Ho. They are accused of breach of trust in connection with art deals totalling Y55.7bn (\$397m). Mr Ho and Mr Ito sold paintings and other art objects to Itoman at

increase since December 1982.

Compared with June, 1990, the rate of increase was 1 per

cent. The June year-on-year

rate was 32 per cent.

Because of tax increases, chiefly on fuel, to help finance

the high cost of German reuni-

fication, the rate of consumer price increases had been expec-

price increases had been expec-ted to go up.

Mr Helmut Schlesinger, dep-uty-president of the Bundes-hank who soon steps up to the presidency, said yesterday that higher wages and indirect

taxes had worsened the price

climate. He said the Bundes-

Under arrest: Former Itoman president Yoshihiko Kawamura going to Osaka prison ing director of Itoman, and two inflated prices, using forged valuation certificates, said pub-lic prosecutors, who put the loss to Itoman at Y33.4bn. They are accused of having used 145 forged valuation forms in the name of Seibu Department

bank was determined to pre-

vent weakening of foreign and domestic confidence in the

Some economists in and out-

side Germany believe the

Bundesbank will have to

increase interest rates to main-tain confidence in the cur-rency, now that the inflation

rate for the whole of west Ger-

many is set to exceed 4 per

The D-Mark strengthened

against the dollar yesterday in the expectation that higher interest rates could follow the

inflation news. The dollar

and two associates are accur of procuring the forgeries. Mr Ito, a property developer who joined Itoman only last year, resigned in November when the full extent of the

closed in Frankfurt at DM1.7565 after opening at

The central bank's next council meeting is not until August 15. But the Bundes-

bank has made clear its con-

cern about inflation, as well as the rising level of public spend-

ing to meet the costs of unity.

Last month, the annual infla-

tion rate was 3.5 per cent in

The provisional July rate,

which economists have fore-

cast at 42 per cent or more, will be announced in a few

vest Germany.

ferent locations for evidence and interviewed 1,000 people.

• In the latest development in the stock market scandal involving compensation pay-ments made by brokers to favoured clients, the Rig Four securities companies yesterday filed revised financial statements for September 1988 to March 1990. The companies adjusted

company's plight became known Mr Kawamura was dis-

missed in January after Sumi-

tomo Bank launched a rescue programme. Itoman said yes-

terday it regretted the arrest of

its former executives. Mr

Toshihiko Takamura, a manag-ing director, apologised for having disturbed the public

Yesterday's arrests follow months of work by the Osaka district public prosecutor's office which searched 140 dif-

with the affair.

their returns to show compen-sation payments totalling Y128.3bn. The figure for Nomura Securities was Y27.5bn, for Daiwa Securities Y22.1bn, for Nikko Securities Y33.1bn, and for Yamaichi Securities Y45.6bn. Nomura paid compensation to 49 cli-ents, Daiwa to 57, Nikko to 59 and Yamaichi to 66.

Tetra Pak faces heavy fine after breach of EC treaty

By Andrew Hill in Brussels

TETRA PAK, the Swiss packaging group, is expected to be fined heavily by the European Commission today for abusing its dominant position in the European Community market for packaging machinery and cartons - its second breach of the EC treaty in 10 years.

Commissioners are expected to decide on the level of the

morning.
It could exceed the previous record fine of Ecu47m (\$52.6m) imposed last year on Imperial Chemical Industries of the UK and Solvay of Belglum for operating a cartel in the Euro-pean soda-ash market. Last year, Tetra Pak's total sales amounted to SFr6.1bn

(\$3.86bn). The Commission inquiry into Tetra Pak's alleged abuse of its dominant position began in the early 1980s after complaints that it was forcing cus-tomers who used its packaging machines to buy its cartons as

"The practice [of making one deal conditional on another unconnected purchase] is expressly mentioned in the Treaty [of Rome] as being a case of abuse," said one senior official in Brussels

The official said the offence had been aggravated because Tetra Pak had already broken the treaty rules on abuse of a dominant position. The Com-mission rebuked Tetra Pak after a 1988 investigation but ed not to impose a fine on the Swiss company because it wanted to establish its legal

That position was unsuc-cessfully challenged by Tetra Pak in the European Court last year. Commission officials said

the long-running investigation was extremely sensitive. "It's really too delicate to comment on in advance of a decision,"

sàid one. Tetra Pak, which has just received clearance from the European Commission for its agreed bid for Alfa-Laval, the Swedish dairy and food pro-cessing equipment group, said it would wait for a Commission decision before comment-

However, the Swiss-based, Swedish-owned company said it believed the Commission inquiry applied only to its operations in the Italian mar-ket and not to the rest of the European Community, and said there were no clear links between the two Commission inquiries.

Tetra Pak, which invented the well-known tetrahedron drink carton in 1951, disputes the terms of reference of the investigation, claiming the Commission has defined the packaging market too nar-

July 1991

A short trip for the lifeboat

Despite the suggestive parallels, it is not quite clear that the rescue of National Home Loans means a re-run of the secondary banking crisis of 1974. NHL is unusual in having been trapped between two forces: the decline of the mortgage market and the shutdown of BCCI. Both are serious issues for the UK financial system, but with luck they ought not to intersect. Some of the building societies use the money markets in a similar fashion to NHL; but if the BCCI-inspired flight to quality were to hit the building society network, the financial system would be in far worse trouble than is at present imaginable. Granted, there is something of a lifeboat feel about the clearing banks all clubbing

together to help NHL out. But there will be some attractions in seeing off a competitor in the mortgage market while lending it up to £200m at a handsome margin. Meanwhile, the same flight to quality means the clearers will enjoy finer terms on their own money market borrowings. money market borrowings.

The future of NHL itself looks extremely murky. The company argues that the new facility is a mere bridging loan, to be repaid quickly by securitising more of its mortgage portfolio. Even if its funding crisis can be solved that simply, it still faces separate problems of profitability. In the past month its shares have

past month its shares have fallen from 138p to 38p. Half the fall took place before the BCCI shutdown. The most likely solution now looks to be an orderly work-out of the mortgage book, with the unwinding of its more doubtful portfolio of diversified loans. Between the two, there may be something for shareholders at the end of the process. It would

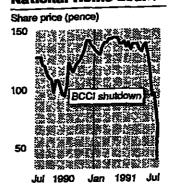
Markets

not do to count on it.

Yesterday's 29-point jump in the FT-SE finally establishes the break-out from the narrow trading range of recent months. Based as it is on reathe UK economy, the move seems trustworthy enough, particularly since it is accompanied by a sharp recovery in trading volume. At the same time, there is no sign of the stampede out of cash which was seen six months ago, since institutional liquidity is now

fairly low. The obvious question raised by the optimists is whether this signals a second leg to the UK bull market which began in January. In its first two

FT-SE Index: 2,587.9 (+29.4) **National Home Loans**



months the market rose 22 per cent, then went sideways for the next four. But unless the total return from the market for the year as a whole is to be

quite out of the ordinary and higher than in the comparable recovery years of the early 1980s - it is hard to see the market rising by more than amother 5 per cent or so by the year-end. The question might rather

be raised of when it is time to buy second-line stocks. Yesterday's close on the FT-All Share still left it 4 points below its 1987 all-time high of 1,238.5. Small company shares have taken a pasting relative to FT-SE stocks for nearly three years now, except for a brief period in February and March this year. At some point, if the market really is confident about the economy turning, it is going to have to put that

Reuters

The days of Reuters as a dizzy growth stock have slipped into the mists of time. But yesterday's interim figures at least demonstrate the group's resilience when the going gets tough. Underlying operating profits, for example, were roughly £10m better than most expectations, stripping out the £8m of currency gains sions and write-downs. With capital spending no higher than depreciation and working capital reductions more or less funding the dividend this time round, pre-tax profit converted almost 100 per cent into cash

For all that, it is difficult to get too excited about the shares while the medium-term outlook is so uncertain. There may be genuine competitive reasons for giving nothing away on the launch timing of Dealing 2000 (phase two) and Glober; but since these products are likely to account for much of the growth in the 1990s, investors are having to take an awful lot on trust. The outlook for the existing business is none too steady either; the growth in net new orders, while still positive, continues

There is some evidence of a more purposeful approach to costs and every reason to believe that the new chief exec-utive's relatively gloomy prognostication for revenue growth next year should not be applied to profits. Transatiantic enthusiasm, however, continues to wane with less than 37 per cent of the shares now held in American Depository Shares against more than 45 per cent at the end of 1989. The price earnings relative is at an all time low, and deserves to be.

UK property

It is a brave man who calls the bottom of the UK property market, certainly on the basis of yesterday's £67m sale of business park developments by Arlington Securities to Equita-ble Life. Coming hard on the heels of Friday's £41m sale of industrial estates by Slough Estates to a so far unidentified purchaser, the deal is bound to be seen in some quarters as a sign that the market is finally rising from the dead.

Investors can certainly from the fact that neither seller is distressed. Arlington has British Aerospace at its back. Slough has recently had a rights issue, though it also has big capital commitments this year and a £180m convertible to ponder in 1993. The indications are, moreover, that the Slough transaction was above book value, while Equitable is buying the Arlington units on what looks like a reasonably healthy initial yield range of 8.25 to 9.25 per cent.

All this seems reasonably consistent, however, with proven institutional interest in smaller retail properties, indushigh quality well-let business parks such as Arlington's Aztec West, Such commodities have not recently been in plentiful supply. It is quite another thing to conclude that the buyers' strike is coming to an end where shopping centres and central London offices are concerned. The recovery, when it comes, may well reflect this differentiated pattern rather than the across the board increases in value which were is a feature of the mid 1980s.

Broadcasters resist EC HDTV standard

North Rhine-Westphalia's 4.3% level may force interest rates up

German state reports inflation rise

THE European Commission's attempt to win industry sup-port for its proposed common standard for high definition television is in serious trouble, according to broadcasters in

several countries.

The broadcasters are resisting attempts to get them to agree to a memorandum of understanding promoting D2-Mac, the standard which the Commission sees as a halfway house to HD-Mac, its proposed European high definition stan-

Thomson of France and Philips of the Netherlands, Europe's two biggest consumer electronics manufacturers, say adoption of the European standard is essential to give homegrown producers a head start gainst Japanese competitors who already broadcast at home using an alternative standard.

However, a leading European satellite broadcaster said that at a meeting in Brussels last week, few television companies were prepared to support the memorandum of understanding, which would require them to make commitments on the number of satellites and transponders devoted to D2-Mac broadcasts. "The memorandum of understanding is looking like a memorandum of misunderstanding," he

The broadcasters believe a compulsory D2-Mac standard would restrict the growth of the satellite market and increase the cost of receiving

The memorandum is being proposed by Mr Filippo Maria Pandolfi, the EC technology commissioner, to supplement a

put to European governments. He argues it is essential that any directive has the support of manufacturers and broadcasters. He wants the memo-randum completed by Saturday and initialled by companies on

August 2.
The draft directive, which would require all new satellite broadcasts to be in D2-Mac, is strongly opposed by the UK government, with support from Luxembourg, Spain, Ireland and Denmark, Britain believes that consumers should decide which standard they want to

adopt.
The Verband Privater Rund-funk und Telekommunikation, which represents privately owned German broadcasters, has written to Mr Pandolfi saying it was not the task of the Commission "to intervene in

taking regulatory action without any compelling reason for

British Sky Broadcasting and Filmnet, which broadcasts in Scandinavia, Belgium, the Netherlands and Luxembourg. have also objected to the proposed memorandum.

The French government is one of the strongest supporters of D2-Mac and broadcasters in channel. Mr Emmanuel Flomost popular television sta-

France said they were less strongly opposed to the memorandum. "The European industry has no single position on this," said Mr Roger-André Larrieu, director of international relations for La Cina tional relations for La Cinq. France's second largest private rent, development director for privately owned TF1, France's

tion, supported the broad principle of the proposals. the free play of the market by draft directive which is to be British infantry battalions slashed to 38

By Paul Abrahams

THE last post will be sounded over some of Britain's most famous regiments after Mr Tom King, defence secretary, yesterday revealed sweeping cuts in the British Army.

Announcing a fundamental restructuring of the British

Army before a packed House of Commons, Mr King disclosed that the number of infantry battalions will be slashed from 55 to 38 and the number of armoured and armoured reconnaissance regiments will be reduced from 19 to 11.

The cuts, which were slightly less deep than feared, follow an analysis of British defence needs after the end of bying by both the Army and Conservative MPs. Mr King's plans to reduce the number of infantry battal-ions to 36 had been attacked

before the announcement by senior officers. They claimed the Army was incapable of meeting its commitments with less than 41 infantry battalions. Mr King was also criticised for planning to disband regiments with long and cherished traditions.

Mr King yesterday justified the cuts by arguing that he had acted on the advice of the Army board. The new Army, he said, would be more mobile and better equipped.

The Territorial Army and support corps will also be restructured. There will also be a substantial cuts among the 38,000 civilians employed by the Army. A big redundancy programme for army officers and NCOs will be needed, admitted

Mr King. He said he hoped most redundancies would be voluntary, but admitted that some would be compulsory. Among the cuts, The Life Guards and The Blues and Royals, famous for their duties outside Buckingham Palace. will be merged, although they

will keep their identities.

Four of Scotland's seven regiments will be merged, as well as some county regiments in

Cheshire, Staffordshire and In Northern Ireland, the Ulster Defence Regiment is to be combined with the Royal irish Rangers. Recruits from both north and south of the border will be eligible to become members of the new

regiment. Some battalions will also serve outside the province. The announcement met with predictable outrage from Northern Ireland's Democratic Unionist Party. The Rev Ian Paisley, leader of the party, said there was "deep outrage and concern" in the province.

End of Cold War brings cuts to Army, Page 8

Bush dilutes proposals for chemical arms control countries which tend to view

Continued from Page 1

obliged only "to allow the greatest degree of access taking into account proprietary rights, its legal obligations and national security."

The treaty language also appears to dilute the principle of on-site inspection. States which find themselves chal-

lenged can opt for aerial inspection; or observation posts in the form of a tower or ladder outside the perimeter of a facility; or the use of sensors to pick up traces of chemicals.
US officials argue that language which was too severe on

support among Third World

man's atomic bomb. verification would make it much more difficult to win

chemical weapons as the poor But the final language is sig-nificantly weaker than the proposal for strict verification first introduced by Mr Bush, then vice president, at the chemical weapons convention in April In his speech, Mr Bush

declared that the best way to ensure that signatory states had confidence in a global chemical weapons ban was to support "open invitation" inspections. The US was willing, therefore, to "open for international inspection on short notice all of its military and government-owned or gov-ernment-controlled facilities."

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CLYLE LE ATMENTE



War and recession have stalled market growth in Europe and the short-term outlook for industry

revenues is bleak. Yet the break-up of Europe's postal monopolies may be on the way and the market could eventually take off as it did in the US, writes Paul Abrahams

A setback in Europe

The first of 1860 life in the first of 1860 2: Les emilier de la persona de la companya de la c RETRENCHMENT rationalisation have struck the European courier and express service industry. The twin afflictions of war and recession have stalled market growth and brought an end to the fran-tic acquisition activity that marked the sector in the late

1980s. The industry, which as late as early 1990 was enjoying growth rates of 30 per cent a year, now faces market stagnation. Although large carriers insist the sector is still growing slightly, what little growth exists has often been achieved only at the cost of falling

The short-term outlook for revenues is bleak. Profit margins have crumbled as many companies find it difficult to enforce price increases. Discounting is rife. Some companies such as UPS of the US which used never to offer flexible pricing - have adopted the practice. One carrier describes the level of discounting as "horrendous", explaining that on some products yields have

fallen by 25 per cent.
Income has also been hit by bad debts, particularly in the UK. Customers have been downgrading their purchases. putting cost rather than speed

The effects of sluggish vol-ume growth and falling yields have been exacerbated by the companies' high fixed costs.

Many large couriers have been particularly stretched financially by heavy investments in European hub-and-spoke air networks. 'All the big players have

been investing in air net-works," says Mr John Mullen, chief executive of TNT Express Worldwide, the international division of the Australian group which has 17 BAe 146 whisperjets based in Europe. "The problem is that once the infrastructure is in place, the aircraft have to be filled." TNT and Federal Express, the US group, are understood to be holding talks about sharing air capacity in Europe to reduce

With the large groups having difficulty in filling capacity profitably, the sector is now pausing to catch its breath. Acquisition programmes have been slowed or halted. TNT has even started to dispose of businesses, selling its stake in Seattle-based Airbourne Freight which was intended to have been the company's bridgehead into the US. DHL is also trying to sell Elan, its loss-

making UK division.
The exception, UPS, is still expanding, having made a slower start than its competitors at setting up a pan-Euro-pean network. After acquiring Prost Transports in France this month, the group is looking for a domestic operator in the UK. It has already acquired busi-nesses in Italy and Spain.

Meanwhile, the groups are finding themselves under increasing pressure from express services supplied by the European post offices and PTTs. Both Parcelforce in the UK, and France's Chronopost have been particularly aggressive in marketing their operations. The PTTs are also selling international services under their EMS marketing

Hit by slowing revenues, a high cost base and fierce competition, the independent com-panies are not reaping much profit from their European investments. DHL and TNT claim they are

not operating in Europe at a loss, although TNT says it is only just profitable. Federal Express, however, admits it is still incurring losses. UPS, which has only recently started acquiring business outside the US, says it is losing money but not as much as expected. It intends to break even by 1994.

Such poor results in Europe have brought little comfort for the groups, most of which have been reporting lower profits and even losses. The most financially precarious is TNT, which recently reported a A\$89m loss for the nine months to March 31. Shares in the company have been affected by the group's heavy debt, poor results and exposure to the aircraft leasing market. Some companies have been forced to rationalise their business. Federal Express has made 1,850 redundancies and

now operates its UK-based

international operations out of

a single hub. TNT has merged all its international divisions and made 300 redundancies The damage among smaller domestic groups has been even more traumatic. Securicor's Omega Express security and parcel division has reported its profits halved. Several groups, among them Phoenix Express, Eagle Star Express, Neill Clark



and Trackernew, have ceased

trading.
In the longer term, the large groups plan to boost volumes by offering pan-European con-tract logistics operations nvolving the warel distribution of high value items. Mr Larry Long, vice-president for Europe at UPS, sees logistics and the expansion of just-in-time management as the one of the biggest areas for expansion in

"Supply-chain management will be the big management opportunity of the 1990s," he says. "About 80 per cent of large multinationals in Europe expect to change their distribu-tion practices in the next few years in order to prepare for the single market. We are

looking to provide the sort of logistics services they want."
The larger companies intend to avoid discounting in the future by adding value to their products through investment vices by identifying where blockages and delays have occurred.
"Information technology is probably the driving compo-

also allows the groups to

assess their own performance and take cost out of their ser-

nent of expense over the next decade," says Mr Mullen at TNT. "We have enough aircraft and depot capacity to handle growth for the next few years and we don't anticipate repeat-ing the sort of capital expenditure we have made over the last few years. We have reached a natural break in everything but technology."

Such equipment does not come cheap, however. Although UPS refuses to break down its investment geographi-cally, it says it has spent \$1bn a year for the last three years on information technology, and expects to spend similar sums over the next five years. "Tech-nology is expensive," explains Mr Long. DHL says it is spending about \$50m a year on Euro-

pean information technology.

In spite of present difficulties, the companies believe
their European subsidiaries have a bright future. Once volumes and yields have increased to cover fixed costs, the groups expect to move quickly into profit. The European market is only a quarter that of the US which is worth more than \$20bn a year. And the market could be given a greater boost by the break-up of the postal monopolies pres ently enjoyed by the European post offices. The European Commission is expected to publish a green paper on the subject this summer.

The possibility of new entrants taking advantage of any upturn is also remote. "The capital requirements to set up the infrastructure are so great that it will prove impossi-ble to make a standing start in Europe. The barriers to entry will be insurmountable," says Mr Thomas Oliver, vice-president of international sales at

in information technology.

They believe such investment

- the only area where all the large groups are still commit-ted to expenditure increases -

will prove a vital factor in pro-viding competitive advantage.

The advantage of barcode-

based technology is that it

adds value by allowing the express companies to track and

trace parcels anywhere in the

world, inform customs of their

arrival, and warn clients if a

package is going to be late. It

Federal Express.
"We are waiting for the market to take off as it did in the US," explains Mr Mullen at TNT. "Some domestic markets in Europe are strong, but internationally, the market is still small. In the long term, the European market is potentially very lucrative."

IN THIS SURVEY Logistics: the flexibility ☐ Scheduled airlines: search for niches in the long-haul market ☐ Domestic parcels: customers trade down as recession calls the tune

☐ Security measures: reducing the risk

Documents: hard copies



(Above) Royal Mail International is spanding £3m this year on tracing and tracing facilities ☐ Information technology: customers call the tune on tracking......

EC single market: need for level playing field

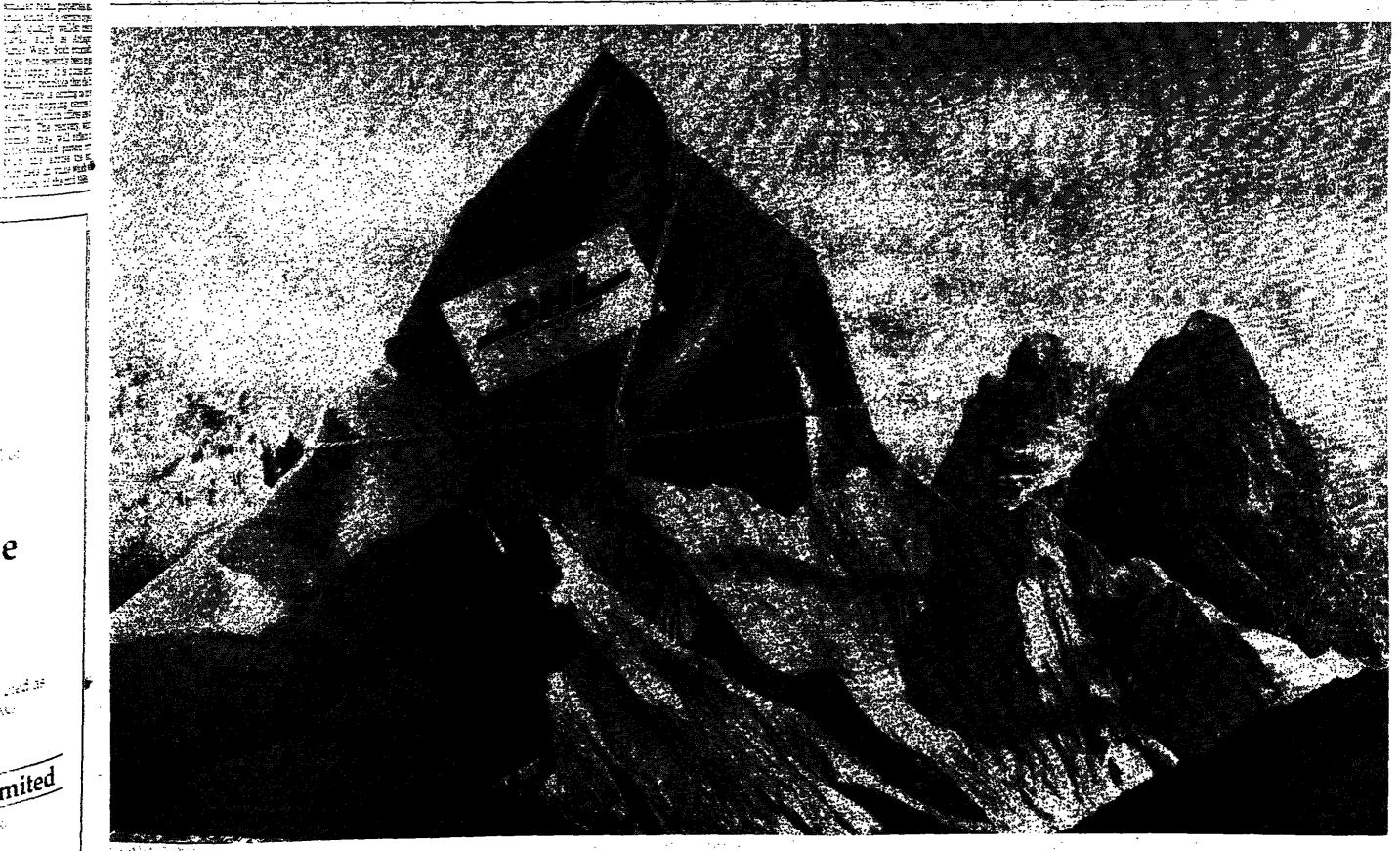


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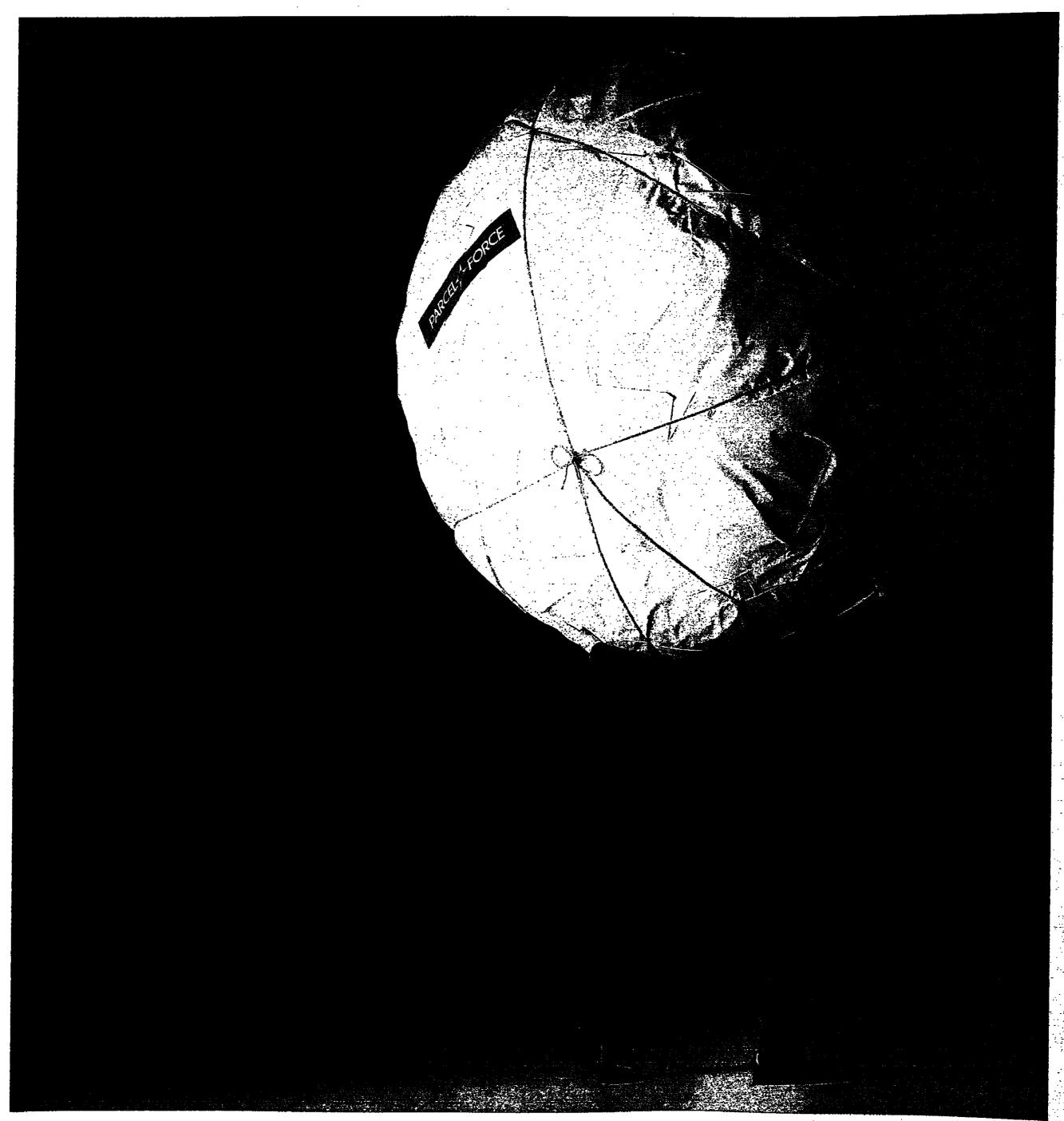
problem ■ Wholesale services: debt - where the buck stopsPage 5

EC green paper: still in the post

| Same-day deliveries: pace can be too much



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SCHEDULED AIRLINES

The search for niches in the long-haul market

HAVING LOST much of their short haul and airfreight traffic to the door-to-door express ser-vices operated by integrated carriers, scheduled airlines are now tending to focus most of their efforts in that sector on the international long-haul

Even there, though, airlines are generally still finding it difficult to develop a successful niche. The obstacles to that development include the fact that the airlines need to work with other parties such as freight forwarders to provide the full door-to-door service generally demanded by shippers. Such partnerships often prove difficult to establish and maintain successfully .

Now, in a new approach to that problem German abline Lufthansa and Japanese carrier Japan Air Lines are seek-ing to develop express business opportunities in conjunction with air express company DHL International in which both bought shares last year. Lufthansa and JAL each own a 5 per cent interest in DHL with options to buy up to 25 per cent each over the next year or

First signs of closer co-operation between those airlines and DHL are expected to become apparent fairly shortly. The companies are understood to be working on the development of airport to door delivery services for traditional airfreight traffic.

DHL has in fact handled some larger airfreight business for several years through an operation called Off-Net. That has involved responding to specific requests from customers and then working out prices for the movement with a suit-

able airline. It appears that side of the operation is to be expanded. Mr Brian Fitsall, DHL's Brusselsbased director of business development, recently con-firmed that airfreight airportto-door services are among a number of projects currently being worked on by a commit-tee of DHL, Lufthansa and JAL

However, other airlines are less enthusiastic about establishing close links with one particular integrator. British Airways Cargo, for example, believes such a move would make it much harder for the carrier to follow its current avowed policy of developing wholesale services for a broad

Last year, BA expanded its Speedbird range of wholesale express services to include a new airport-to-door delivery product. Covering some 120 countries worldwide, it is targeted at freight forwarders, domestic express and messenger companies hoping to com-pete in international express markets. Two levels of service are available, Timed Delivery and Priority Delivery. By choosing the former, users can determine the time when their



shipment arrives at destina-

BA has also bought a minority stake in London-based international courier FRX and transferred its retail express business to that company. Thus, BA claims, it is left free to concentrate on developing its fast-growing Speedbird lesale operations.

Following a similar path is Canadian airline Air Canada whose airfreight operations are headed by Mr Geoff Bridges, a former managing director of BA Cargo. The Canadian car-rier launched an international on-board wholesale courier service on some transatlantic routes such as London-Toronto/Montreal late last year in conjunction with Montreal-based F B On Board Courier Services.

Over the next few months, says Mr Bridges, now vice-pres-ident, cargo for Air Canada, the airline intends to add simi lar services between Canada and three other key European points - Frankfurt, Amsterdam and Paris - and extend coverage westwards into the Pacific via Los Angeles in the

US.
"We might look to do some work with other carriers in Europe and then link down into the Pacific by interfacing with one of the wholesale couriers operating there," he adds. Plans are also being finalised for expansion of a Canadian inter-city service run by the airline's wholly-owned subsidiary company, Dynamex. The aim is to extend that operation to cover the whole country and then progressively move it into the US. The intention, says Mr



Bridges, is eventually to link in Air Canada's international onboard courier services with the Dynamex same-day operation in North America.

By offering an airport to airport wholesale product using F B, our own brokerage and Dynamex, we can encourage top end of the forwarding business to use that rather than just giving it away to an must be an awful lot of non-in-ternational courier companies who could use that sort of

facility," he claims.

Air France, on the other hand, is still keen to develop a role in the international express door-to-door delivery market and is establishing joint venture subsidiary companies in various key markets. Last year, for instance, the French national airline set up the first such company, Sodexi UK, as the British arm of the

airline's express subsidiary in France, Sodexi SA (Societe pour le development du fret express international). Sodexi UK is jointly owned by Sodexi SA and Birmingham-based WPS (World Parcel System).

Sodexi SA provides door-to-door service called Mach Plus which caters for the international shipment by air of parcels up to 60 kilos within Europe and 30 kilos to other destinations such as south-east Asia. The service is available to more than 30 countries. Recently, the Mach Plus

product range was extended to include an airport-to-door ser-vice from the UK. That option is designed to appeal particularly to freight forwarders who might have an express require-ment for some of their traffic. A more typical international airline industry development in the express sector involved the introduction this year by Singapore Airlines of a new airport-to-airport express cargo service called Swiftrider. This

offers guaranteed space and uplift once a booking has been confirmed, late close-up time for acceptance of cargo and pri-"The airport to airport cargo express service means freight forwarders are being offered

reliability plus the added advantages of late acceptance and quick delivery of cargo at destination. For example, any customer with an urgent shipment can get his cargo accepted as late as one hour before flight departure," says Mr Huang Cheng Eng, SLA cargo manager.

Phillip Hastings

Phillip Hastings on global logistics operations

The flexibility factor

EXPRESS COMPANIES initially made their mark on the distribution scene by providing fast, time-definite parcel and freight delivery services. There was little operational flexibility and customers had to use one of a number of set

products on offer. However, with distribution requirements becoming ever more complex and sophisti-cated in the last few years. express companies have responded by steadily broaden-ing the scope of their services to provide more wide-ranging logistics management

operations.
Federal Express and TNT, for example, already have separate divisions handling the development of contract distribution/logistics business. TNT moved into that field when it set up a UK contract distribution division in 1985.

Around the same time, Federal hought UK heard

FedEx bought UK-based contract distribution company Systemline. Both have since gone on to develop similar operations in other parts of Europe and are now increasingly looking to develop global

logistics operations.

Meanwhile, other leading nternational express companies such as DHL and United Parcel Service (UPS) - and some domestic service operators - are also now increasingly working with customers to expand the scope of their distribution operations.

According to Mr Kevin Appleton, sales and marketing director for Lynx, the UK domestic express delivery company, there has been a blurring of the distinction between parcels distribution and contract

Operational logistics challenges cannot always be neatly defined into a haulier's methods of supply. Usually a logistics problem should be approached with an open mind rather than one which immediately endeavours to classify it in terms of numbers of trucks or parcels, he says.

The main recent development for FedEx in that context. has involved a move this year to integrate its previously-established logistics operations in the UK, mainland Europe and the US to form one organisation, Federal Express Business Logistics. Future plans include setting up more "Parts-bank" international distribution centres along the lines of a 30,000 sq ft facility near Leicester opened at the end of last year and others established in Amsterdam and the US.

Explaining the partsbanks concept, Mr Robert Kelly, marketing director, Europe for FedEx Business Logistics, says each centre offers users detailed menu of international logistics services with a set price for each service. Clients can pick the services they need and pay as they use them.
Users can rent pallet space
by the week in a bonded stor-

Companies' sales and procurement are organised on a pan-European or global basis. They want the same on

distribution

age area, call off goods to be picked and despatched, to or

from anywhere in the world. Partsbanks are designed to link into FedEx global and stic carrier networks and are fully equipped to handle every aspect of import/export administration, he claims. Also taking the Partsbank route towards meeting custom-

ers' global logistics requirements is air express company DHL. The company set up its first facility in Bahrain last year and is now hoping to establish similar operations in other parts of the world. The Bahrain Partsbank is used by DHL to hold a central stock of parts and materials for customers ready for express distribu-tion in the Middle East Gulf region as and when required.

As a more general example of the way that express companies can meet customers' general distribution requirements, DHL cites the work it does on behalf of Belfast-based CV Branded Menswear, a subsidiary of textiles group Coats

The latter imports some 130 tonnes of fabric per shipment from its source supplier in Japan. Although the bulk of those supplies is transported by sea, smaller pre-production shipments of up to two tonnes are transported in advance to enable salesmen in Northern Ireland to begin selling before

Previously, CV Branded Menswear had used traditional airfreight for its sample shipments but delays caused by clearance difficulties at London's Heathrow Airport, followed by onward road move ment to Northern Ireland, meant a two-week transit time, said a DHL spokesman.

switching to DHL's integrated system for direct, door-to-door delivery from Japan to Northern Ireland, the company now has control over transit times, guaranteeing delivery in three to seven days, ending on the requirement Another major factor influencing the development of express company logistics operations is of course the European Community single market, Mr Brian Bolam, direc tor of TNT Contract Logistics Europe points out that according to the latest evallable figures, only 5-7 per cent of exist-

der traffic. That figure, he says, is pre-dicted to rise to 15-25 per cent within five years, a development which will create an upsurge in demand for international distribution requirements as more companies adopt a pan-European approach to their logistics

requirements.
Companies are increasingly beginning to operate on a pan-European or global basis. Their procurement and sales are being organised in that way so they are looking for the same with their distribution, he

The latest example of that thinking in practice at TNT involves the company's recent launch in the US of a division called TNT Fulfilment USA. The new operation has been set up to meet the needs of US companies interested in developing markets in Europe by offering them total supply

Services available to US customers include the provision of mailing lists, creative artwork, direct mail, exhibition removal, international reply paid option and customer service/order entry as well as col-lection and consolidation, freight distribution to Europe by sea or air, customs clearance and bonded warehousing.







Bolam: pan-Europe approact

Other services offered range from full picking, packing, labelling and pre-assembly to billing, debt collection and after-sales activities.

The growing demand for tailor-made European distribution packages is confirmed by Mr Tony Miller, UK-based operations director for the European integrated express delivery activities of US for warder Air Express Interna-tional Increasingly, business is no longer about single consignment movements. It is about the assembly of consignments to be delivered to various points across the destination

Janina Walker on the travails of the UK domestic parcels industry

Customers are trading down as recession calls the tune

IN THE increasingly uncertain world of the £1.5hn UK domestic parcels industry one thing is for sure: the marketplace is jumpy and the recession is calling the tune.

Sliding traffic volumes and crumbling profit margins are extracting a heavy price as a flurry of sell-offs and acquisitions take place and oncehealthy companies with turn-overs running into millions

fold up.
Even the top player, which claims a 30 per cent stake of the express parcel market, has not been immune: Parcelforce, which handles 1m parcels daily and is owned by the Post Office, announced last month that it had made a £75m loss. British Rail's express service Red Star, billed as No 1 in the same-day delivery arena, reported a £9.2m loss on a turn-

over of approximately £70m.

And Securicor's Omega Express security and parcel division has borne the brunt of ight margins with half-yearly figures showing profits more than halved to £4.9m.

Operators are being hit by trading down as increasingly cost-conscious customers move away from expensive premium express services to cheaper ones with longer delivery

The worsening economic climate has also affected volumes which are estimated by indusry watchers to have dipped

James La British

100000

between 8 and 15 per cent.
Data collected by Mr Martin White, a logistics expert with management consultants Coo-pers & Lybrand Deloitte, reveal that, after a first decade of unprecedented growth, the industry is now suffering

Mr White says: "Our analysis of receiverships in the road based transport sector showed that 15 per cent of failures in the industry were in the parcel and courier category. That is quite a high failure rate."

Companies no longer trading as a direct result of the recession include Eagle Star Express, Neill Clark and Track-ernew, each of which had a

He adds that the 1990 acquisitions revealed a growing trend for small companies to buy out operators smaller than themselves. "They are bargain hunting as people bail out," he

Express, Lynx and United Carriers with minor roles played by express carriers UPS and at the moment, DHL, which is currently negotiating the sale

Overall, the industry has ing into the market as capacity experienced a fall-off in vol-

A growing trend for small companies to buy out operators smaller than themselves. "They are bargain hunting as people ball out

umes of between 8 and 10 per cent. Although some compa-nies may still have the volume. a trend of trading down by customers away from the more expensive express services is likely to hit revenues, he says. Mr Paul Jackson, chairman

of Triangle, specialist manage-ment consultants to the freight and transport industry, esti-mates volumes are down across-the-board by between 10

and 15 per cent.

According to Mr Jackson, the bubble has burst for larger operators which used to make considerable profits from premium services. In the 1980s the key markers for the industry was urgency but in the 1990s it

is costs, he says. Other key players in the UK domestic parcel market include TNT, Parceline, Federal of Elan, its loss-making UK Lynx – which was formed in

1987 by merging the National Carriers and Roadline divisions of the National Freight Company - has reported a year-onrear volume slide of between 11 and 12 per cent.

However, Mr Alan Soper, managing director, claims that volumes have dropped among some of Lynx's competitors by 20 per cent. "There are certainly no more companies com-

Federal Express, the US air its acquisition activity, has this year axed 1,850 jobs and sold off its express courier arm Rapid Despatch as it retrenches back to core small-consignment business.

According to Mr Gary Roth, UK marketing managing direc-tor, the restructuring plans were brought forward as the worsening economic climate "has put a lot of pressure on Federal Express," he says. While Federal Express has shed one company, Parceline - part of the Australian

Mayne Nickless transport group - has acquired two. Last October, the company took over recession-hit Conveyor Quick and Reds Transport, with annual turn-overs of £7m and £1m respecMr Robin Davies, Parceline marketing general manager. says the company, whose main focus is high street deliveries, believes consolidation is inevitable as the recession shakes out the weaker carriers.

Parceline, he says, has experienced only what he describes

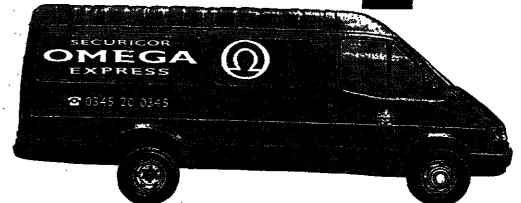
as "the normal seasonal volume loss of 10 per cent so far, unlike some of its competitors. "We have been asking ourselves why and our answer is that our customer base doesn't include those affected by the recession. We are handling goods such as stationery - the sort of items people are still

Mr Michael Howe, managing director of United Carriers, says his company had suffered volume losses of 34 per cent. But he admits: "People are now looking very hard at pre-mium services and it's true that our two- to three-day services are far stronger at the

Conversely, TNT Express UK
has, according to Mr Tom Bell,
general manager, experienced
a year-on-year 7.6 per cent volume increase as well as an 8

Mr Bell explains: "In a recession the business pattern changes and people want smaller consignments more often because they don't want money tied up in stock. "Reliability is the key to this

and I believe a lot of operators are falling down because they are unable to give it." Mr Bell says TNT Express
UK had ended its financial year in June on a high note with year-on-year revenue growth of 10.33 per cent and profit up by 8.65 per cent.



For reliable deliveries just pick up the phone and call the Omegaline on 0345.20 0345,

Phillip Hastings looks at security measures

Reducing the risk

INTERNATIONAL EFFORTS to tighten up general air transport security have had a significant impact on the courier and express industry.

Great emphasis is now placed on the concept of the "known shipper" — in other words, courier and express companies must know the source of any particular ship-ment - backed up by the increased use of detection equipment such as X-ray

The risk of courier and express consignments being used by terrorists as a means of getting explosive devices on ard aircraft was highlighted by Mr Teun Platenkamp, chairman of the Association of European Airlines' security committee, at last month's World Express Freight and Distribution conference in Amsterdam. There seems no doubt that terrorist groups will attempt to conceal explo-sive devices in cargo, express courier packages or mail," he

Meanwhile, the UK Transport Department has just issued a second circular on security for the airfreight industry. It repeats the advice in a circular at the time of the Gulf war when a 24-hour hold on international airfreight shipments flown out of the UK was introduced, unless the consignments had been subjected to X-ray checks or a hand search. In addition, that circular emphasised the need r everyone involved in air-

freight activities to check the origins of all consignments. The main change in the latest circular is a suggestion that, where airlines agree, an airwaybill coding system sup-ported by the British International Freight Association could be used as an alternative to other written confirmation of the origins of a shipment.

Later this year, the depart-ment is expected to publish a legally-enforceable directive on air transport security. However, many important ques-tions have yet to be fully answered. For example, who will define the permanent security standards required? What will be the effect of such measures on companies involved in that sector? And how will the department contry on such matters? A registration list for airfreight companies, particularly freight forwarders, may also be established. Such a list would make it easier for the department to circularise companies with advice and directives, as well as to check whether they are complying

with security requirements. Mr Charles Manetta, founder of TrainingTeam, a company which specialises in organising training courses for the air transport industry, believes such a move could have significant implications for the general airfreight business. "It is all a bit speculative at the moment but if the registration idea is introduced, it could be

'Security cannot wait until goods reach the airport. Shippers will have to be licensed'

that airlines will accept freight from forwarders on the list without taking any further action but will, for example, hold cargo from non-registered companies for 24 hours," he

Mr Platenkamp of the AEA suggests the registration idea could in fact be taken much further to embrace shippers as well. "Iata (International Air Transport Association) feels that all companies engaged in the acceptance, storage and forwarding of cargo, courier and express parcel shipments intended for passenger aircraft should be licensed and have a security programme approved by the appropriate authorities," he told the World

Express conference. "Security controls cannot wait until goods reach the airport. Therefore, shippers will have to be licensed and of necessity implement security programmes and measures which satisfy the carriers and government authorities.

One of the less publicised aspects of the security issue that needs to be taken into account by companies providing express and other freight transport services is insur-ance. During the Gulf war, some freight forwarders were surprised to find that their normal insurance did not fully sult with the air freight indus- cover them for war risks and

several forwarders had to pay out extra premiums to ensure they were fully covered against all such risks.

There is also a lot of interest in the effect of the EC single market from 1993 on the legal position with regard to transport and transit insurance. With growing demand from shippers for quality services, insurance considerations are likely to increase the pressure on carriers to make sure their security is in order.

Not surprisingly, courier and express companies are reluctant to talk too openly about the security measures they have introduced. Major operators, though, have in many cases already installed X-ray machines and explosives detection devices. TNT, for example, says it uses colour identification X-ray equip-

"By removing the need for manual checking, we have been able to offset some of the equipment costs and considerably speed up the screening process," says TNT. Apart from the enhanced service levels which have resulted, such measures reduce the need for 'physical' inspection - and no customer enjoys the thought that his shipment has been opened, however valid the rea

decision to check all consignments as they pass through a central hub. The option of placing equipment at airports was rejected since problems might arise when alreraft were diverted because of bad

At the hub, every shipment passes through an X-ray machine monitored by trained staff who are rotated every 20 minutes to ensure maximum attention," according to TNT. Items too big for X-ray are checked by explosives detectors, as are any consignments which show up as suspect dur-

ing X-ray.

Monitoring has discovered items not suitable for air transport at an early stage so that they can be rerouted with minimal disruption. If these items had been found at the airport just before departure, considerable delays could have occurred to every consignThe fax machine has not eliminated the need for fast movement of documents

Hard copies are still indispensable

PREDICTIONS THAT the increasing use of fax machines and electronic mail will steadily reduce the demand for courier service delivery of documents now look wide of the mark, writes Phillip Hastings.

International courier services offering fast door-to-door or desk-to-desk movement of documents and other urgently needed small items started to emerge on a significant scale in the 1970s as the developed areas of the world stepped up their trade with newly emerg-ing markets such as the Middle

Bast and West Africa. In many cases, traditional methods of sending urgent documents, notably by post, were unreliable, so private sector couriers moved in to fill the gap. Then, postal authorities also developed premium services, for example the Royal

Mail Dataquest operation. A decade later, many courier companies and some post offices began to move much more forcefully into the parcels distribution business. One reason for that move, they admit, was the belief that prospects for continued rapid growth in would probably be limited by the future development of electronic communication systems. Now, however, while conceding that new technology has captured some traditional document traffic, courier companies claim that the growth in international trade and docu-

for any loss of business. Indeed, Mr Tony Waring, iles and marketing director of Britdoc, a business mail service operator, argues that the development of fax and electronic data interchange (EDI)
has often boosted demand for document delivery services.

mentation resulting from that

have more than compensated

"There has been an increase in demand for next-day delivery of documents and mail. Once people get used to elec-tronic transactions, they do not want to wait around three or four days for related paper-work to arrive. They want hard copy confirmation the next day," says Mr Waring. Mr Douglas West, documents

market manager for DHL (UK), the international air express company, maintains that the growth of trade within the European Community will push up demand for document delivery services. He claims there are "inherent restraints" associated with fax and EDI

systems which will ensure that air express services retain their pre-eminence for the fore-seeable future.

For instance, many will not wish to bear the sacrifices associated with fax usage. These include the potential loss of confidentiality, via misdial or the wrong person col-lecting the fax, the variable quality of reproduction of faxed documents, plus the time

'Once people get used to electronic transactions, they do not want to wait three days for paperwork'

it can take to fax. Faxing a 30-page document might require up to half an hour of overseeing," he points out. Mr West also argues that "faxing is an expensive busi-ness. To fax the 30 pages from the UK to New York would cost around £33. We could courier that document for about half that cost."

In addition to price, courier companies have sought to combat growing competition from electronic communication systems by streamlining the

document despatch procedures undertaken by customers. Most couriers now supply special packs or pouches which are easy to use and help boost marketing efforts. Last year, for instance. Royal Mail Parcelforce introduced a courier-style

pouch - the Datapost Express

Envelope - for its UK domestic and international services. Another problem with EDI and fax machines, claim courier companies, is that there are still many parts of the world where such technology is rare or even non-existent. That point is stressed by Mr Roger Corcoran, now head of TNT Express Worldwide's UK operation, who previously had

some 13 years' experience in the courier market. "Markets continue to expand, for instance in eastern Europe, where communications are still being developed. There are still many business-men who do not have access to electronic mail. In those instances, courier services are the first choice for distribution of documents. I do not see the courier industry or electronic mail replacing each other - I see them eventually being

complementary," he says.

Another growth area for cou-

rier companies is the move ment of intra-company correspondence. Many large organisations now use a private contractor to move mail overnight between locations.

Last month, for example Lynx, the specialist services division of NFC, the express delivery company, won a £800,000-plus contract to deliver internal mail for Safeway, the supermarket chain. It involves the movement of more than 8,000 items of internal mail and stationery each week to the UK company's 550 supermarkets, 20 offices and 15 distribution centres.

Safeway used to distribute internal mail via its fleet of store supply vehicles. But the company admits that did not guarantee next-day delivery. According to Mr Kevin Appleton, sales and marketing director for Lynx, the winning of the Safeway account demon-

strates that there are niche markets to be found even in industries with already established distribution processes. "Companies can generate a lot of paper unsuited to elec-tronic transmission which does not move efficiently through networks designed for the delivery of produce," he says.

Companies are investing millions of pounds on information technology

Tracking: customers call the tune

COURIER AND express customers increasingly demand that their service suppliers provide them with consignment tracking capabilities and fast reporting of general management information. And they want such information systems to be fully compatible with general EDI (electronic data interchange) develop-

ments, writes Phillip Hastings. To meet those demands, courier and express companies are investing millions of pounds in information technology (IT).
United Parcel Service, of the
US, for example, has spent
\$1.4bn on computer-based technology development worldwide in the past five years.

Other global express majors such as Federal Express, DHL heavily. Royal Mail parcels delivery organisation Parcelforce is spending some £3m this year on new international tracking and tracing facilities.

Domestic express companies are following suit. For example, Parceline last month announced plans to invest £2m more to upgrade its parcel ments will include greater control over consignments and the integration of parcel tracking with billing operations.

Airfreight forwarders involved in providing express delivery services are now concentrating much of their effort on the information technology sector. US company Emery Worldwide has spent \$35m erised tracking and tracing system, while another USbased forwarder, Air Express International, has moved further down the road towards EDI with the development of a two-way computer link with British Airways to provide instant shipment status information anywhere in the world.

According to Mr Louis du Pre, TNT Express Worldwide project manager for European operations, information technology will be the weapon used by companies in the battle to establish customer service standards and market share. As a result, TNT has embarked on a multi-million dollar reorganisation of its IT operations to create eventually one com-

mon global system.
"Information technology is being used in two key ways. The operational efficiencies of the expanding networks are dependent on increasingly sophisticated computer networks to hold them together. Customer communications are also being enhanced through the development of information technology systems," says

Mr du Pre. Much of the express industry IT development to date has centred on consignment tracking. More advanced systems now track shipments at various points in their door-to-door movement such as the pick-up from consignor, arrival at the delivery service company's local depot, arrival/despatch at the main parcels sorting hub, arrival at the local depot near-est to premises of the consignee and the final delivery. Increasingly, express operators are opting to use bar cod-ing to identify parcels being handled through their systems. So far, such development has occurred mostly in European and US domestic operations

beginning to spread to the general international sector. Airbourne Express, for example, plans to introduce bar code based scanning technology worldwide for the track-ing of both its express and freight shipments by end-1992/ early 1993. The new develop-ments will involve further Continued on Page 5

but now the technology is



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Mercedes-Benz Trucks and Vans

Phillip Hastings on how wholesale operators are coping

Debt: where the buck stops

now joined entrepreneurial flair as a key management requirement for providers of international wholesale cou-

rier and express services.

Wholesale services are used by small and medium-sized ourier express and forward-ing companies which lack the resources to develop and sup-port their own worldwide express delivery networks. Wholesale operations offer them a chance to compete with the major integrators in inter-national coverage.

However, some industry giants use wholesale services for routes and markets where running their own operation is not economically viable. These services may also be used as a back-up to their own systems. In the past few years, com-petition and the recession have made expansion of these wholesale operations into sizeable and viable businesses increasingly difficult, particu-larly for independent opera-tors lacking the backing of a

strong parent organisation.

Those problems were high-lighted when one of the bestknown names in its field, Wholesale Courier Network/Inflight, went into liquidation in 1988. Nine months later. another prominent wholesale operator, UK-based Scan Courier, relinquished its independent status to join the Edinburgh-based distribution services group, John Menzies. Now, with recession biting deeper, many small courier and express companies which use wholesale services are run-

Continued from Page 4 major enhancements of the US company's established Focus (Freight On-line Control and

Update System). General express industry use of bar code systems is likely to helped by further advances in that technology. According to Mr Howard Zollinger, a Netherlands-based consultant with Vanderlande Industries, the size of bar code labels is likely to be substantially

reduced in the next few years. "The code part of the label size will be half the present size within two or three years and a quarter in five to 10 years. All parcels will be labelled at pick-up with a readable code providing unique identification. This will contain at least the sort destination, the sender identification and the addressee. The code may not be a bar code as we know it today," he predicts.

Many operators are now terminals and even staff on customers' premises to mprove communication between them. UK rail-based parcels delivery organisation Red Star aims to have 100 major customers on line for direct access to its Parcels Business Machine computerised tracking system by the end of this year. Consignment details will be entered into the main tracking system at the time the customer makes the initial contact call rather than

after the actual collection.

That development highlights another important aspect of IT development in the courier and express industry – a growing move to find ways of entering information into a system as early as possible.

FedEx, for example, has now installed Dads (Digitally Assisted Despatch System) incab computer units in all its London area collection/delivery vehicles and plans to expand that development to include its vehicle fleets in

the Soviet Union -

ning into financial difficulties. Mr Mel Bromley, UK-based European regional manager for Jupiter Air, the wholesale air express division of Japan Air Lines, admits, that means the wholesalers cannot afford to allow their customers much

leeway in terms of credit.
"The problem is that everyone is exporting debt. The shipper passes on his debt to the retail courier who then passes it on to the wholesaler, which is where the buck stops. To deal with it, we have taken steps to tighten up our credit arrangements. In fact, we are extremely nervous about giv-ing anyone credit right now."

Supporting evidence for that view comes from Mr Larry Woelk, managing director of Scan Courier. "Credit control is probably our largest single problem. Because so many companies have become insolvent, we have had to implement very stringent credit control policies or not handle the

Though forced to tighten up their financial controls, whole-salers are also continuing to develop new services and market niches necessary to sustain their overall development.

Scan, for example, which has to date been best known for its daily European overnight door-to-door services on behalf of trade customers to Scandinavia and various markets in Europe, last month opened an office in New York and is now providing whole-sale services from there to the UK, the Continent and Scandinavia. The company hopes to

other big cities. The Dads unit acts as a two-way communication system between drivers out on the road and their depot. It can be used to receive parcel collection details and also to transmit proof of delivery information back to the company's central consignment tracking system.

Proof of delivery information also features strongly in recent technological developments by Securicor Omega Express, the UK parcels carrier. For instance, customers can now access Securicor's Signline delivery confirmation system via personal computer/modem links in their offices by using a security password. As well as immediate on-screen confirma-tion of delivery, the system can be used to order hard copies of signed delivery manifests.

Most freight and distribution service operators are also trying to develop methods of computerised communication and tracking that are compatible with other systems. So-called closed loop IT systems which can be used only with one company's activities appear to have a limited future.

In the latest example of a compatible IT system develop-ment, DHL, the air express company, has just introduced customs interface software in the UK which should cut clearance time for inbound dutiable goods at London's Heathrow Airport by up to 50 per cent. The new development is said to guarantee 100 per cent accuracy for documentation and administration. DHL claims to be the first air express com-pany to be awarded accredita-tion by UK customs for ASI (Airline Systems Interface).

The software allows bar code scanning of all dutiable ship-ments by a DHL operator and ensures speedy processing through customs, with feedback to advise the operator if a shipment has been cleared or detained for further inspection.

into the US, particularly from

the UK, within a month.

Also due to be launched this month is a comprehensive ser-vice from the UK to Africa in conjunction with French wholesaler Universal Express. Scan has already built up services from London to English-speaking African countries such as South Africa, Kenya, Uganda and Nigeria. It now plans to route its traffic for francophone Africa through the Universal network in Paris. 'They will use our ser-vices out of London for the Euglish-speaking countries,"

says Mr Woelk.
Jupiter, which to date has concentrated on providing wholesale services to Asian markets such as Japan, Houg Kong, Singapore and Austral-asia, is also expanding its service network, particularly from Germany which is now being developed as the company's main continental hub alongside London.

Recently-started new services include Frankfurt/Hong Kong, principally using flights operated by German carrier Lufthansa, and Frankfurt to Moscow using Aeroflot. A third new service, linking the German hub to Sydney, Australia, using Australian airline Qantas, is due to start shortly.

Frankfurt as a hub for services into eastern Europe. We are studying the possibilities for a Frankfurt/Warsaw service. We are also hope to start a London/Moscow service fairly soon," says Mr Bromley.

A relative newcomer plan-

ning expansion is Bridges Worldwide, set up by Mr Guy Bridges, former TNT Skypak worldwide linehaul manager, at the beginning of 1990. Bridges Worldwide has an agreement with Singapore Air-lines under which it acts as its wholesale courier agent. Operations focus on marketing SIA's daily B747-400 services from Heathrow to Singapore and beyond to Hong Kong, Taipel, Bangkok and Sydney. Bridges Worldwide also works with South African Airways to

with South African Airways to

provide wholesale services and

recently opened an office in South Africa. Bridges Worldwide, says Mr Gary Kendall, general manager, is set to become ground handling and general sales agent for an enboard courier service being introduced by Virgin Atlantic Airways. Called Virgin Express, the service will initially be operated on Virgin's flights from Lon-don Heathrow to Tokyo, New York and Los Angeles. Likely

launch date is August 1.

IMPLEMENTATION OF the Single European Market from January 1998 will mean many changes for express parcel and courier operators. Deregulation of air transport and road freight services should be fully in place by that date.

There are some major hur-

dles still to cross before imple-mentation is achieved, not least the question of Community air carriers. The European Council is keen to introduce full deregulation into air freight operations. However, the regulations

relating to air cargo services were drafted by the Commis-sion in such a way as to exclude the major integrated air express carriers, such as Federal Express, TNT and United Parcel Service, from benefiting from European Carrier status. DHL, their main competitor, did gain the status through its subsidiary European Air Transport (EAT).
The integrators provide a

door-to-door service in which the consignments remain with them. Not to have European carrier status would have put them at a severe disadvantage to DHL. They argued that the European Council should either exclude all the major service providers or include them so as to provide "a level playing field" but not distort the market by allowing DHL to have the status. Intensive lobbying resulted in the regulation adopted in February this year, excluding EAT from European carrier status along with the other integrators. While this prevented the market from being artificially

The EC single market

A level playing field is needed

distorted, it remains an unsa-tisfactory answer for European industry in terms of the ser-vices operated and the alterna-

tives operated and the alterna-tives they provide.

EAT is based and registered in Belgium and the Belgian government reportedly lobbied for a reversal of the decision. The other integrators are fighting to stop such a reversal.

A decision by Enveroge trans-A decision by Europe's trans-port ministers has been deferred until later in the year. Giving equal status to all or none would be the most appro-priate decision to bring in the

level playing field".

There is a lot at stake for all parties involved as Europe's postal market is estimated to be expanding at a steady rate of some 10 per cent a year for the core business of letters and more than 25 per cent for other sectors such as parcels. In addition to the integrated car-riers and the postal authorities there are also regional and local express carriers, courier companies and the airlines.

The Association of European Express Carriers estimates that the annual turnover of express carriers amounts to over Ecul5bn. Of this Ecul.5bn is accounted for by international shipments and ments. The association, whose members represent about 70 per cent of the market for express services, forecasts that the international portion of the market will grow to some Ecusion by the mid-1990s.

The strength of the private sector operators has posed a big challenge for the national postal authorities in Europe.

The postal authorities have much ground to make up as the express carriers have

exploited weaknesses

But they have combined their resources to put in place a range of products and a quality of service which match those of the major express carriers.

Many traditional national
barriers had to be overcome before successful co-operation was achieved and there remains much ground to make

introduced earlier deliveries in

up as the express carriers have exploited weaknesses in the local monopolies and won sizeable chunks previously held by the post offices. The express carriers bave

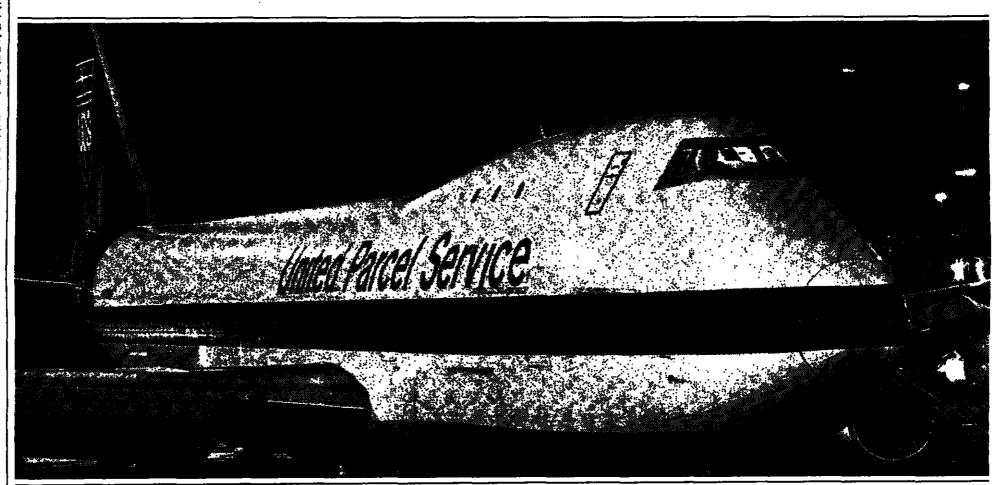
main European business cen-tres, next day parcel services and remail. Some of these ser-vices are forecast to grow at a steady 30 per cent a year to the end of the decade. The postal authorities claim that the express companies pursue only the low cost, high profit postal traffic but for the major com-panies which have invested huge sums in aircraft, road vehicles, land facilities and trace consignments, volume is as important and recession in several European countries has added to the burden of securing sufficient revenue to sup port heavy investment The long delayed green paper has generated many jokes about late deliveries as originally it was due in the

summer of 1990, then the autumn and now July 1991. It is expected to define a common set of standards on weight, price, speed of delivery and service to customers throughout the European Community. After consultation with the postal authorities, express and courier operators and airlines, the Council of Ministers is due to examine the

proposals in November. The next few months should provide the postal authorities and express companies with a clear view of which directions they will be allowed to follow in the future. In time, the single market is likely to generate a substantial increase in all areas of transport-related business, not least the express sec-

David Robinson

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PUBLICATION OF a European Commission green paper on the future of European postal services, originally scheduled for the first half of 1990, is now

expected shortly.

However, marked differences of opinion within the Commission over the extent to which the postal sector should be opened up to more private sector competition from courier and express companies – differences which have been largely responsible for the delay in publishing the green

paper – remain.

Those divisions were highlighted last month when two leading commissioners gave widely-differing messages on the subject when they spoke at an international express indus-

The proposals are expected to centre on two key issues: competition and quality control

try conference in Amsterdam.
On the opening day of the event. Sir Leon Brittan, European Commission vice-president, came out strongly in favour of postal service liberalisation and a reduction in post office monopolies on certain types of traffic.

types of traffic.
"I believe that the absolute minimum of domestic postal services should be reserved for monopoly providers. Only if it can be demonstrated beyond doubt that monopoly provision of a service is indispensable for the discharge of the essential public services of the monopo-

oly can there be any justification for permitting the monopoly to continue in that service on a monopoly basis," he said. The European Commission, he added, had already undertaken a "receipte and suggests."

The European Commission, he added, had already undertaken a "resolute and successful" campaign against post offices claiming monopoly rights over express mail, culminating in cease and desist orders against the Dutch and Spanish governments last year.

"This has assured new choice and growth in the market as the post offices respond with new express services of their own, proving that the courier companies can be regarded more properly as precursors rather than predators."

The next day, though, Mr Pieter Weltevreden, directorate-general for the commission's DGXIII, which is responsible for telecommunications, information industries and innovation matters, took a very different line.

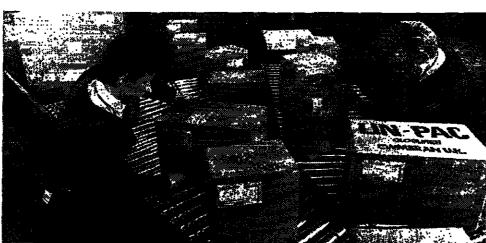
very different line.

"The possibility of radical liberalisation of the postal market is contrary to the practical reality of the universal service obligation requiring a universal network which is not economically viable everywhere. There must be a core of reserved services which ensure the provision of the basic universal service," he

He also admitted that the slow progress of the green paper had been due to differences of opinion within the commission. "The commission is a rather complicated animal. There are many different points of view. The consulta-

Phillip Hastings looks forward to a long-waited EC green paper

Why it's still in the post



The EC green paper on postal services is expected soon

tions between the various directorate-generals have taken more time than expec-

Once the green paper is published, it is likely to be followed by six months or so of intensive discussion between all the interested parties before the issue goes before the European Parliament. The commission still hopes to have the resulting legislation in place by the time the EC single market is due to become a reality at the end of 1992. However, outside observers believe that target may prove too optimistic

because of the controversy the proposals are likely to generate.

Precise details of the green paper proposals are still largely a matter for conjecture but general opinion within the courier and express industry is that they will centre on two particular issues — competition and quality control.

On the competition front,

On the competition front, latest indications are that the commission will recommend that certain postal traffics remain reserved for the national postal authorities. As for quality control, the green

paper is likely to focus on ways of developing standard levels of service for postal deliveries throughout the EC, as opposed to the current situation where transit times can range from

two days to two weeks.

Other possibilities for inclusion in the green paper are proposals to establish some form of Oftel-style regulatory authority or authorities to deal with future postal monopoly matters. It is also likely that some types of private sector remail activity, particularly within the EC, will be banned. However, earlier fears

among private courier and express companies that the planned general harmonisation of postal services in line with the general concept of the EC single market will lead to the development of an integrated European postal organisation with an even stronger monopoly than that currently enjoyed by existing individual national post offices appear to be receding.

Elaborating on the key issues which are likely to be covered by the Green Paper, Mr Paul Waterschoot, head of European Commission state monopolies and public enterprise department DGIV, said last year that they would include the definition, in each country, of the basic services which could be protected from competition. That definition, he told an international freight industry conference, would have to include an element of minimum price and a clear description of the different stages involved in the provision of the service.

sion of the service.

One way of defining such a service would be to say that it is the collection at the post office or in postboxes of a 20-gramme letter and the sorting, transport and distribution of those letters at the premises of the addressee for a uniform tariff of ECU2, he suggested.

"The next step would be to establish that any service which did not fit in with this definition would fall outside the monopoly. This would mean that a sarvice which did not include all the different elements mentioned would not fall within the limits of the monopoly. Services provided by consolidators or document exchanges would thus fall outside the limits of the monopoly and could be performed by private operators."

vate operators."

Mr Colin Mitchell, chairman of the UK-based Mail & Express Services Users Association, says his members strongly support the idea of semi-competition between post offices and private operators. They are aware that private companies do not on the whole

have the desire or the infrastructure to undertake universal letter deliveries but still believe there are areas of operation in the mail/package delivery market which should be open to competition.

& Plastics

"Any attempt to restrict the current levels of service choice available to customers would seriously impair the ability of business to function in the Community," he adds. "My association strongly supports the semi-competition scenario. This would preserve the social element of universal postal deliveries through the concept of reserved services' but would allow open competition for value-added services without resort to the 'loophole' operations or 'grey area' activities which we see at present."

SAME-DAY DELIVERIES

The pace can be too much

DURING THE 1980s, high-speed same-day deliveries mainly by motorcycle became a multi-million pound game of pass the parcel as quickly as you can for anyone who cared

But the recession has taken its toll and as the volume of business slides by 30 per cent. nationwide liquidation and consolidation are changing the face of this classic example of the free enterprise market.

Instant response, short-distance delivery mainly by self-employed messenger, is a hybrid of the much larger express market and has its

express market and has its very own niche within it.

Pick up any telephone book for a major city or town and you will see countless businesses in this market which, although it has two large national carriers operating within it. TNT and Securicor Omega Express, has its roots based locally.

Although in such a transient industry it is impossible to quantify the number of businesses affected by the recession, insiders believe that hundreds have gone to the wall with one startling estimate of 50 per cent of those in London.

What is happening in the

What is happening in the London market, generally held to be the biggest and worth £150m, is probably being repeated nationally.

This market is shrinking as companies pruning budgets consider the cost and viability

consider the cost and viability
of using same-day delivery and
those who still opt to do so
look for the best services at the
most competitive prices.

The pace of the business has
proved merciless for some

proved merciless for some operators who, in spite of drastic price-cutting, have still not been able to compete.

"Putting it simply", says Mr Paul Meunier of North London

"Putting it simply", says Mr Paul Meunier of North London based express courier West One, "the sort of companies who use our services want it done yesterday and some operators do not have the financial backing to invest in what they need to provide it."

Mr James Greenburg dimen

Mr James Greenbury, director of On Yer Bike, based in central London, says customer expectations have risen as they look for the most cost-effective,

reliable service.

"Two-thirds of our collections are made in 10 to 15 minutes which some operators, lacking that number of vehicles, just can't match."

On Yer Bike was established in August 1989 with the aim of growing by acquisition. Since then, it has absorbed seven more companies. Three — Security Despatch, No Sweat Couriers and Way To Go Couriers — were taken over last year. Mr Greenbury admits that the recession has eased the way along the acquisition

A similar path has been followed by Delta Couriers, which took over Direct Link, with a fim turnover, in April 1990.

Express courier West One, which has 400 vehicles and operates on a national and international basis through agents, is currently taking what is probably a unique approach to acquisition.

In a move described by Mr Meunier as "a marriage of the utmost convenience", it involves West One taking in half-a-dozen small companies, providing staff, systems and office space on a monetary basis involving rental, profit sharing or both. Mr Meunier explains; "Each operator has an individual contract but in a year to 18 months can decide to go back on its own or to let us take it over at a figure related to profitability."

Already there is a waiting list for the scheme, Mr Meunier says. It was set up nine months ago and has increased business, although the company has experienced a 20 per cent downturn in volumes.

Addison Lee which has four

Addison Lee, which has four London offices and a £8m turnover, handles 2,000 customer accounts. It has seen its domestic business cut by a quarter and is charging lower rates than two years ago.

Mr John Griffin, managing

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Pari Jun ?

Mr John Griffin, managing director, estimates the nation-wide downturn in business at 30 per cent. "There is no denying that this is a very difficult time. But if times are tough for big companies such as ourselves they are impossible for smaller operators."

He fears that up to half the courier and express companies in London have gone out of business since the recession

'Companies using our services want it done yesterday and some operators do not have the finance for it'

started.

"I think the main problem was that a lot of these people were vulnerable because they did not have the necessary business experience."

Mr Malcolm Bluemel, managing director of express courier Rapid Despatch, which has offices in London and Birmingham, says there has been a 25 per cent year-on-year downturn in business volume in

"Companies are having to cut overheads and costs to stay afford and those who can't afford to do so are simply

going out of business," he says.

"There is a real fight going on for market share. Last summer the market was extremely buoyant with no-one giving discounts except to major users. Now, even smaller clients are looking for discounts and going elsewhere if companies can't afford to give them."

nies can't afford to give them."
"Our industry is essentially, a local one and without a doubt consolidation is going on across the country into the hands of major local companies rather than national express carriers."

Mr Paul Jackson, of Trian-

of Paul Jackson, of Triangle, specialist management consultants to the freight and transport industry, believes that in the long term, the recession will have a positive effect on the industry.

Contraction of this market is

Contraction of this market is a golden opportunity for rationalisation and consolidation in what is the most crowded segment of the transport sector, he argues.

Mr Jackson believes the recession will change the face

recession will change the face of the industry. "Companies will now be looking more at transport economics. Technology that is coming in can trace the courier to maximise the loading. At the moment there are about 200 motorcyclists travelling between London and Birmingham every day, all with one-way deliveries — and that is uneconomic."

Janina Walker

on Early de Libouri Cardon Einden

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A TIMES

LATED SURVEYS

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Window & Door Systems for the World Market

INSIDE

STC boosts earnings at Northern Telecom

cations equipment supplier, lifted second-quarter earnings by 11 per cent and revenues by 24 per cent, largely because of the contribution of STC, the British group acquired earlier this

Bidding for clean air



The Chicago Board of Trade has proposed futures trading in pollution permits as a way to speed up the acid rain reduction programme of the US Environmental Protection Agency. Utilities unable to meet the timetable demanded by the 1990 Clean Air Act of 1990, will be able to buy new allowances enabling them to plan their shift to the new pollution standards. Pege 21

Sogeti option for Daimler

Daimler-Benz, the German industrial giant, has been granted an option to take majority control of Sogeti, the holding company which controls Cap Gemini Sogeti, Europe's largest computer services group. Page 14

Kohihaussen's quiet honeymoon



The new chief of Commerzbank, Germany's third largest bank, is proving to be a nightmare for any public relations man. Martin Kohlhaussen (left), suc-cessor to the the largerthan-life Walter Siepp, feels business is best conducted out of the glare of publicity. And despite his wealth of

international experience and the growth of influence of German banks in Europe, Kohlhaussen's priorities during his honeymoon period as new chief executive remain primarily domestic. Page 14 -

Mine expanding experience

Twenty years of developing the Freeport copper mine in Indonesia is beginning to pay off. New mineral deposits are being exploited and the company is rapidly expanding. Clare port which has just initiated a new 30-year contract with the government. Page 22

End of a bull run?

The two-year buil market on the Tel Aviv Stock Exchange has survived both the tense months following the Iraqi invasion of Kuwait last August and the subsequent war. But some observers say the market could be riding for a

Market Statistics

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DEC to buy most of Philips' computer arm

PHILIPS, the Dutch electronics group, is to sell most of its lossmaking computer division to Digital Equipment Corporation (DEC) of the US for an undisclosed price.

The transaction will boost

DEC's presence in Europe and will be the first time Philips has sold practically an entire division since its retrenchment pro-gramme began in mid-1990.

Under an agreement expected to take effect on October 1, Phil-ips will sell all its mini-computer,

micro-computer and documentmanagement activities - the core of its information systems division - to DEC. Following the disposal, Philips

will concentrate on personal com-puters (PCs), which it transferred to its consumer electronics divi-sion in late 1990. The businesses being sold focus on clients such as medium-sized companies, banks, insurers, governments and travel agencies. They generate annual sales of Fl 2bn (\$1bn) and employ 7,000

people, mainly in the Nether-lands, Sweden and Germany. DEC and Philips also plan to consider co-operating in fields such as personal computers and

components.
The deal will increase DEC's grip on the European market for computer systems designed and manufactured for small and medium sized companies. Growth of this segment is up to three times faster than that of the overall European computer market. Late last year, in a similar move aimed at medium-sized corporate clients, DEC took a majority stake in a joint venture formed with Mannesmann of Ger-

The Philips acquisition is DEC's biggest in Europe in terms of staff numbers. DEC employs about 35,000 people in Europe and 120,000 worldwide. Its European turnover in 1989/90 was \$5.3bm, or 40 per cent of global

Philips declined to disclose the takeover price or say whether the

transaction would produce a book profit. The company is struggling to return to profitabil-ity after record losses in 1990, to which the information systems division was one of the main con-

Its share price, which has risen in recent days on reports of the DRC deal, touched a 12-month high yesterday of Fl 33.10 before closing at Fl 32.90, a rise of Fl 0.30

from Monday.

The DEC/Philips deal does not

division's smaller activities in dictation systems or its printer manufacturing plant in Eiserfeld, Germany, which Philips will

After the sale, the division will employ 1,500 people. Nearly 5,000 jobs have been lost at the division during the past 12 months. Mr Jan Timmer, president of Philips, said: "This will allow us to focus our efforts on the per-sonal computer sector of the information technology market.

UK banks launch lifeboat for lender

By David Barchard and Tracy Corrigan in London

THE BANK of England and the eight largest UK clearing banks yesterday launched a £200m (\$336m) cash lifeboat for National Home Loans, one of the UK's largest mortgage lenders, to save it from a liquidity crisis as local authorities withdrew

their deposits.

The lifeboat arrangement is the first clear sign that the Bank of England and the clearing banks fear a possible crisis in the sector following the BCCI

collapse.

NHL said yesterday that it hoped it would not have to make use of the funds from the banks. "The facility was put together to avoid liquidity problems. We have put the stand-by in place and are very confident," said Mr Kevin Milner, NHL's chief executive. "It will be available as long as we need it."

as we need it.' He declined to say how much He declined to say how much the stand-by would cost, but con-fixmed that it would be more expensive than normal funding. If it is drawn, the loan will even-tually be extinguished by NHL selling mortgage-backed bonds on the secondary money mar-

Rariter this year, the Association of District Councils warned authorities were set to pull out of smaller financial institutions following the collapse of Chan-cery and Eddington banks, small Manchester-based banks which

Manchester-based banks which held local authority deposits.

Following the closure of BCCI, most councils say they will place deposits only with the leading UK clearing banks, and with the top 10 to 20 building societies. Foreign banks and smaller UK banks and other financial institutions are suffering from withdrawals of deposits as a result. drawals of deposits as a result.

According to Mr Ian Ward, the
ADC's assistant secretary, the
Bank of England reassured the
councils that the situation would

be stabilised by clearing banks on-lending to the secondary institutions if councils pulled out from smaller banks. The clearing banks are clearly not keen lenders at the moment,

but they appear to have decided to take action to protect NHL from a run on its funds. Barclays Bank is acting as agent bank for the clearing banks, while S.G. Warburg, the City of London merchant bank, is handling the deal for NHL. NHL has lent more than 26bn

in mortgages to home-buyers since it was set up in 1986 and has more than £1.5bn in mort-gages on its books. Its banking subsidiary is small, with only subsidiary is small, with only £700m in deposits. More than a third of these came from local authorities, making NHL unusually dependent on such funding.

Mr Milner said yesterday that NHL, which in May reported a sharp drop in its half-year profits from £15m to £10m, was trading profitably. NHL's share price has plummeted this week from around \$00 on Monday to close around 90p on Monday to close at 38p on the London stock exchange last night.

HE UK government's formal approval of the Nelson oilfield project in the North Sea last week gave a much-needed fillip to the UK independent oil sector, which has been suffering the disdain of the stock market for much of the

year.
The City of London ended its love affair with the speculative stocks long ago and many companies have seen their share prices drifting downwards. But the go-shead for the Nelson field marks the commercial development of the first in a new generation of North Sea cilfields which should bring renewed growth to the sector.

The Nelson field could contain as much as 500m barrels of oil equivalent (which includes liquid gas and gas) and is a coup for Enterprise Oil, the UK indepen-dent which pioneered the discovery. Enterprise now holds a 60 per cent stake in the structure and will become the first UK independent to run a large field when production starts in three

Shell, the Anglo-Dutch oil company, will operate the develop-ment phase of Nelson costing from £850m (\$1.42bn) to £1.1bn and Enterprise will take over running the platform when proUK oil independents hope to benefit from finds that larger companies dismiss, reports Deborah Hargreaves

North Sea spawns a new generation

duction starts. This should run at a rate of some 160,000 barrels of oil a day (b/d) - 40 per cent of Enterprise's oil production - and 65m cubic feet of gas from mid-

Nelson is probably one of the last significant discoveries to be made in the North Sea. The UK continental shelf is reaching maturity and most exploration engineers believe much of the oil yet to be found will be in small accumulations of up to 100m bar-

This could provide an opportunity for the independents as the appeal of the area diminishes for the large companies, according to Mr Chris Greentree, chairman of Lasmo, one of the UK's larger independent oil firms. "I anticipate a progressive transfer of assets from the majors to the independents through a variety of probably quite contrasting and innovative deals," he told a recent conference.

The boom time of the last couple of years for the independent oil companies is unlikely to be repeated in the near future as the stock market comes to grips with a moderate oil price outlook and the low value of the dollar

against the pound, which has depressed sterling revenues. Ultramar is a UK independent which has suffered a particularly rough ride from the stock marke this year. The company, which is partly run from the US, has seen its share price drop in London its share price drop in London from £3.58 in March to £2.71 last

Companies are having to rely heavily on their exploration expertise to expand in the North Sea – a process that often depends as much on good luck as companies the next few years will be a struggle," said Mr Roger Aylard, analyst at Warburg Securities in the UK. "A lot depends on the quality of the acreage you've got and that is extremely

The acquisition of oil explora-tion assets is made more difficult tion assets is made more difficult by the low share prices in the sector, which make a share issue for financing an asset purchase almost impossible. "In any case, the North Sea is very crowded and there is a huge competitive pressure for anything worth hav-ing," said Mr Peter Elwes, chair-man of Hardy Oil and Gas, one of the second-tier independer

UK stockbrokers expend much anguish valuing oil exploration et portfolios, which can have a decisive influence over a company's stock price. Companies are usually at odds with the City of London over the valuations and wide variations that occur. Lasmo suffers from widely

varying views on its prospects for finding oil. It is evaluating an oil find in the Pine prospect in the central North Sea where estifrom 30m barrels of oil to 120m barrels. The company hopes to have a clearer view of the figures by the end of the year, but the structure is believed to be commercially viable.

When Lasmo announces its interim results later today the City of London will look for further news on its exploration programme, hoping for good

short-term growth.

Although the smaller compa-nies stand to gain from exploiting small oil discoveries, these can come.'

nies have to pay a heavy tariff to tie in production and output to infrastructure owned by the large

Premier Consolidated Oilfields, the UK independent exploration company, for example, is developing a discovery of 7m to 10m bar-rels of oil with the US indepen-dent company, Amerada Hess, but a development such as this relies on a company using its own infrastructure and a favour

Independents must increas ingly look overseas for the sort of growth their shareholders rely on. Clyde Petroleum realised this five years ago and made a strate-gic move into gas exploration in the Netherlands. But it can be extremely expensive for independents to buy their way into an overseas market. Mr Malcom Gourlay, Clyde chairman, said it cost the company some £200m to buy into the infrastructure of gas exploration in the country which now makes up 30 per cent to 40 per cent of its cashflow.

"I think the maturity of the North Sea can be overstated"

North Sea can be overstated,' said Mr Graham Hearne, chairman of Enterprise. "It remains a cornerstone for Enterprise and will do so for many years to

Boots agrees US marketing deal

By Maggle Urry in London

BOOTS, the UK-based pharmaceutical and retail group, yester-day announced that Warner-Lambert, the large US drugs com-pany, would be its US marketing partner for Manoplax, the drug expected to enliven Boots' pharmaceutical business in the 1990s. In return, Boots will co-promote Lopid, one of Warner-Lambert's cardiovascular drugs,

Manoplax, a treatment for con-gestive heart failure (CHF), is yet to be launched in any market.
Lopid, a cholesterol regulating
drug, already has annual world
sales of \$370m. The two companies' US salesforces will each sell the other's drug alongside their own. The agreement could be extended to other territories. Boots' 200 salesmen will begin to sell Lopid in January next year, but Manoplax is not expec-ted to be approved until later in 1992. Boots applied for registra-tion in the US in October last

salesforce of 1,200, said that even if Manoplax failed to win approval, it could not lose from the deal. Boots would only profit from extra sales of Lopid generated by its salesforce, said Warner-Lambert.

The alliance was seen as good news for Boots, whose shares

news for Boots, whose shares rose 9p to 415p yesterday.

Analysts regard Manoplax as Boots' next hig money-spinning drug, although the UK group needed a partner to help promote it in the important US market. About 3m people in the US suffer from CHF and 400,000 new cases are diagnosed each year.

Mr Ian White, leading pharmaceutical analyst at Kleinwort Benson, expects Manoplax to be making profits of 2100m (\$160m) a year for Boots by the late 1990s.

A Strategy year. Having Louid to sell will help Boots build up its salesforce to 350, ready for the launch of Manoplax. Warner-Lambert, which has a

theoreticians of interest rate derivatives.

Acquisitions now form an important part of Devon's strategy for maintaining worldwide pre-eminence in the supply and support of S tracking derivative instruments.

Devon aims to further enhance and maintain all existing and acquired

extended throughout a global network of offices.

everything necessary to ensure all Devon systems and services continue to set the market standard. Throughout the 1990s and beyond.

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Reuters poised to cut more jobs

By Andrew Bolger in London

REUTERS Holdings, the financial information and news company, said yesterday it would review prices and seek further redundancies to cope with the

dancies to cope with the retrenchment sweeping the world's financial centres.

Reuters' pre-tax profits grew by 1.8 per cent to £170.1m (\$275.5m) in the six months to June 30. It said a revenue increase of 2.5 per cent to £705.3m reflected the strength of sterling. However, outright sales revenue fell and recurring revenue had grown more slowly for the last 12 months. Mr Peter Job, managing director and chief executive, said:
"Reuters is determined to

increase efficiency and enhance

its market position despite

"Net new orders continue much lower than 1990 and, given the continuing problems and reorganisation in the financial sector, we do not see double-digit revenue growth this year or next. "Cost reduction remains a

difficult market conditions. grammes and the cost of vacating

major priority and we are seeing some benefits from it. Further progress will determine the extent of 1992 profit growth." Last December, Mr Job's prede-cessor, Mr Glen Renfrew, said he would be reasonably satisfied to achieve double-digit growth in pre-tax profits in 1991. Two months later, Mr Renfrew acknowledged that conditions

had become more uncertain.

some properties. It said provisions would be necessary elsewhere in the second half to continue its cost-cutting programme.

The company declined to say how many jobs it would be cutting in the surrounder.

how many jobs it would be cut-ting in the current round of redundancies. Last year it shed 300 jobs through voluntary redundancies, mainly in the UK. New orders for trading room systems declined sharply as one-off sales fell. Operating profit before interest

declined to £148m. Cash balances of £448.3m boosted interest income from £13.7m to £21.9m.

Earnings per share rose by 5.1 per cent to 27.2p. The interim dividend is 6.8 per cent up at 4.7p. Reuters has set aside £10m in Europe to fund redundancy pro- Lex, Page 12

House in need of repair, Page 10; Lex, Page 12; Mortgage-backed securities market, Page 14

-CVIII.

Daimler-Benz to take majority control of Sogeti

By William Dawkins in Paris

DAIMLER-Benz, the German industrial giant, has been granted an option to take agreed majority control of Sogeti, the holding company which controls Cap Gemini Sogeti, Europe's largest com-

puter services group. Mr Edzard Reuter, Daimler-Benz's chairman, yesterday signed a wide-ranging FFr2.4bn (\$406m) agreement with Mr Serge Kampf, Sogeti's founder and chairman, in which the German group will take a 34 per cent stake in Sogeti and subscribe to a convertible loan initially, and buy a warrant to subscribe to a capital increase in 1995.

The outline of the deal was announced three weeks ago. They welcomed the deal, in which the companies will co-operate at first in Germany and later elsewhere in Europe, the US and the Far East, as a way of helping both companies widen their product ranges and expand their computer services

businesses internationally. This was a partnership and Daimler-Benz was "neither a conqueror nor a raider, stressed Mr Reuter. They will seek other indus-

trial partners of any nationality to join the partnership and hope to make a further announcement soon, said Mr

'significant' growth in earnings By William Dufforce

Daimler-Benz will pay

FFr1.2bn for its share stake,

which includes 25 per cent of existing shares, with the remainder of the 34 per cent

coming from a capital increase

reserved for Daimler-Benz. It is also buying FFr1.2bn of

Sogeti loan stock, which can be converted into shares during a

12-month period from February

1995, lifting the German com-pany's stake in Sogeti to 39 per cent. On top of this, Daimler-

Benz is to pay FFr250m for a warrant to subscribe to another Sogeti capital increase

during the year beginning February 1995, which would allow

it to increase its stake to a

majority. Equally, Sogeti has the right to buy back Daimler-Benz's

warrant if the partnership does not work out, in which case the German company can

either hold on to its remaining shares or ask its fellow share-

holders to buy it out. Sogeti

had no plans to use what was

planned merely as an emer-gency exit route, said Mr

The first stage will be a German joint venture to be 51 per cent held by Dehis, Daimler-

Benz's computer services unit and 49 per cent by Cap Gemini Sogeti, which will combine its

German subsidiary with the

in Geneva

UBS sees

UNION BANK of Switzerland. the country's biggest, announced yesterday a "significant improvement" in consolidated earnings during the first

dates earnings turing the link half, but gave no figures.

A spokesman said the improvement applied to both cash flow and net earnings, but the percentage increase in the net profit had been smaller because of higher allocations in unrevisions. to provisions.

The parent bank reported "substantially improved" results compared with the first haif last year. For 1990 as a whole, UBS posted a 13.5 per cent decline to SFr780m (\$503m) in the parent bank's net profit, while group net earnings at SFr897m were

down by 9.3 per cent. First-half net interest income had easily surpassed the level reached during the first six mouths of 1990, due to higher lending abroad, a firmer dollar and more favour-

able margins in foreign cur-rency business, the bank said. Commission income from international corporate bank-ing business had registered an impressive rise.

An excellent first quarter had led to a gratifying increase in returns from securities trading, but income from foreign exchange, banknote and precious metals trading had fluctuated only narrowly above last year's level. Expenses had been kept

within budget, in spite of inflation and exchange rate

UBS parent bank's total issets of SFr195.9bn at the end of June reflected a 4.9 per cent increase over the six months Customer loans rose by 3.8 per cent to SFr121bn during the second quarter. Holdings of securities gained 15.6 per cent to SFr11.7bn, while funds due from banks declined by 4 per cent to SFr39.3bn and holdings of bills and money market paper were reduced by 29.2 per

ent to SF18.4bn. On the Habilities side, cus tomer deposits rose by less than SFribn to SFri21bn after climbing by SFr11.1bu in the first quarter.

Emerging from the shadows to a testing time

Katherine Campbell reports on the new man at the helm of Germany's Commerzbank

THE incoming chief executive of Commerzbank presents his communications department with some-thing of a challenge. For Mr Martin Kohlhaussen, in marked contrast to his predecessor, is a manager who believes business is conducted most effectively at several removes from the glare of pub-

licity. "Mr Kohlhaussen would like to end the year with a set of excellent results, and then have people asking who is behind them, "laments one Commerzbank staffer, whose job is to encourage the experienced international banker to become more talkative.

Presiding over Germany's third largest bank since the beginning of June, the new man is giving exceptionally lit-tle away. "If I came in and altered our priorities for the next decade I would hardly be credible since I was closely involved in the decisions of the last 10," said Mr Kohlhaussen, who joined as a managing board member in 1982.

However smooth the passing of the mantle between Mr Wal-ter Seipp and the man he brought in from his former employer, Westdeutsche Lan-desbank, the personal styles of the two could not be more dif-ferent. Slim, Mr Kohlhaussen appears a little stiff at the side of the larger-than-life Mr Seipp. But appearances may be decep-tive. Colleagues note Mr Kohlhaussen's face is better known around the domestic branch network than that of his predecessor, who basked in the lime light of international gather-ings at the risk of neglecting

At the same time, extended

spells in New York and Tokyo have given Mr Kohlhaussen a more thoroughly international outlook. Despite his travels, Mr Seipp could on occasion sound suspiciously like an apologist for the provincialism of German capital markets.

While facing nothing like the challenge of his predecessor who a decade ago was charged with righting a seriously ailing bank - the new boss does not want for ways in which to make his mark and to emerge from the shadow of Mr Seipp, who, as supervisory board chairman, still inhabits the

adjacent office.

Deutsche Bank's progress continues to widen the gap between the first and third position in the league tables, while Bayerische Vereinsbank, the regional Bavarian bank, yaps at the heels of Commerz-bank in balance sheet terms. Loan-loss provisions remain well below those of the compe-tition, and the bank still has to demonstrate the advisability of its go-it-alone strategy in east Germany.

One of the toughest ques-tions of all will be how to foster European growth as the Europartners association, hith-erto the focal point of Com-merzbank's strategy for continental Europe, threatens to fall apart. This was a lose associa-tion of banks in France, Spain and Germany aimed at greater co-operation in retail banking.

Mr Kohlhaussen bravely contends the six-month "thinking time" agreed by the four banks is "quite normal" in a 20-year association. But he acknowledges how far the parties involved have grown apart. Banco Hispano Americano, in which Commerzbank has a



Martin Kohlhaussen: a thoroughly international outlook

Crédit Lyonnais opened

another German branch in

Baden-Baden. Where Mr Seipp

had given the impression

months ago that a deal was

virtually signed and sealed, Mr

Kohlhaussen is taking a more hard-headed approach. He starts by asking just what ben-

efits such co-operation would

bring. "We still bave some

things to sort out - notably CL's plans in Germany and our

strategic co-operation goals,

he said. Preparing the ground if the end-of-year deadline he

has set slips by without

results, he argues Commerz-

bank is strong enough to make

its way alone.

10 per cent shareholding, is in the midst of a merger with Banco Central, a deal that will create Spain's largest bank, more than halving the Com-merzbank shareholding. Banco di Roma, the Italian Europartner, is also preoccu-

pied with a merger with two other domestic institutions, again creating the country's biggest bank. Meanwhile, it is Credit Lyonnais's expansive mood outside its borders that has largely precipitated the Europartners' crisis.

The tone of the bilateral talks between the French and Commerzbank concerning a cross-shareholding has also been soured - especially since

tional business, and Commerz the strongest of the big three German banks in the US for instance, Mr Kohlhaussen has no intention of letting that position slip - seeing for example (as yet undefined) possibilities in south-east Asia. But the unravelling of the Europartners would still leave a vacuum in continental Europe. For now, Mr Kohlhaussen's priorities are strongly domes-tic. Much of his first month in

assets stemming from interna-

office was spent on a swing through the 65 east German branches, where he accumu-lated a detailed knowledge of the growing network and is predicting a 10 per cent market share of available corporate

business by year-end.

The first-half results – due out at the end of this week – will also show how cheap funds collected in the east have helped to improve interest margins significantly.

August, meanwhile, sees the start of a three-year domestic restructuring – very much Mr Kohlhaussen's brainchild – that is designed to improve administrative efficiency and give better-trained staff more time for their customers.

Although no sweeping reduc-tions in branches or personnel are envisaged, smaller branches will pass on corpo-rate business to larger operations in the region. Implementation will not be without its political sensitivities, as the biggest regional branches will be halved in number from 40 to 20. As Mr Kohlhaussen's first big test, it will be some time before it is clear how much leaner and fitter Commerzbank With 30 per cent of total will emerge.

KLM seeks 10% of market

MR PIETER Bouw, the president of KLM, said that the for KLM's small share is the group aims to have 10 per cent of the European market for scheduled air services in 10 lack of major domestic routes. It is particularly strong on intercontinental routes.

Mr Bouw said KLM was folyears' time, compared with

just 2.6 per cent at present KLM's European market share was too low, the president told the annual press conference, particularly compared market position. with the 10.3 per cent held by Scandinavian Airline Systems (SAS) and the 17.5 per cent

stake held by the Air France group of airlines.

KLM will pursue its ambitions for a greater market share through organic growth

and possible new partnerships with other airlines. One reason

lowing a dual and simultaneons strategy of reducing its costs and strengthening its

Mr Bouw declined to comment on KLM's results in early 1991-92, or the prospects for a resumption of dividend pay-ments. Last year the group omitted a dividend after posting a net loss of Fl 630m

Arvin Industries merger proposal with Boge blocked

By Andrew Fisher in Frankfurt

ARVIN INDUSTRIES, a US car components-maker, claimed yesterday it was being blocked from pursuing a merger proposal with Boge by the oppo-sition of Commerzbank, heading a group which owns the majority of the German parts manufacturer's shares. "It shocked us", said Mr James Baker, chairman and chief executive of Arvin Industries, which wants to com-

"We were invited in by the manage-

By Peter Bruce in Madrid

GENERAL Electric Capital, the financial services arm of Gen-eral Electric and one of the

largest non-bank financial ser-

vices groups, is to take a stake of around 3 per cent in Spain's biggest bank, Banco Bilbao Vizcaya (BBV), as part of an Iberian and pan-European joint

venture between the two

The entry of GE Capital in the BBV's shareholding would considerably boost the Spanish bank's standing and capability

abroad, bank officials said yes-

They hoped the GE link would provide the same oppor-

tunities for the bank in the US

as its ties with the Nippon Life

insurance group had done in

Nippon Life has about 3 per cent of BBV, and the bank claims the link has enabled it

to capture business normally

unavailable to foreign banks. BBV is understood to have

approached GE Capital a year ago after deciding to seek out a

powerful US partner. Accord-

ing to details of an agreement released yesterday, the part-ners will establish a joint

financial services affiliate – Finanzia – for Iberia.

It will be owned 55 per cent by BBV and use GE Capital's know-how in leasing, factoring and in private retailers' credit

cards to break new ground in the Iberian market. GE Capital,

signalling its interest in Europe, has recently acquired the Harrods. Burtons and

House of Fraser credit card

franchises in the UK.

terday.

GE Capital acquires

3% stake in BBV

bine with Boge, a maker of shock

agreed to begin offering selec-tive project finance services in

Spain and Portugal, BBV officials said the two were inter-

ested in large complex projects. BBV is already a major

shareholder in the Spanish

electricity generating industry and the two are likely to be prime lenders to Spanish utili-

ties when a new power plant

building programme begins in the latter half of the decade.

BBV officials said they also hoped to become involved as minority shareholders in other

European investments made

by GE Capital. For a Spanish bank, this is a relatively novel

way to internationalise, but

BBV has not felt as comfort-able with buying large stakes

in foreign retail banks - as

has its local rival, Banco San-tander - and nor has it or any

other Spanish bank made any

headway in European financial

markets.

ment of Boge. We opened our books, showed them our manufacturing facilities, and had meetings in Frankfurt."

Mr Baker said he had been told Commerzbank had an imminent deal involving Boge. Commerzbank had no comment on its attitude to Arvin or the possibility of a sale of Boge to another German company with automotive interests. Together with VDO, a German instrument-maker, and Scamperdale Industrie-Beteiligung, a Zurich-

based investment company, the bank

controls 50.1 per cent of Boge.

Arvin, advised by Merrill Lynch, the US investment house, has told Boge's majority shareholdering group it wants to combine their shock absorber businesses to form the world's largest manufacturer in this sector. It would be based in Germany.

Arvin, which also has an emission controls business, has annual sales of \$1.7bn. Boge, with an annual turnover of around DM650m (\$370m), said it knew nothing of Arvin's intentions.

"Arvin is known to us because of its various products," said Mr Günter Tripp, a Boge director. "But merger talks are not the job of the management board. That is for the shareholders." He said there had been "technical contacts" with Arvin.
Mr Baker said: "We made an offer in

writing." Arvin had had no contact with Boge's other big shareholder, Sogefi, the Italian automotive company headed by Mr Carlo de Benedetti; its stake is 44 per cent.

International offering of 63,056 shares (*)

CREDIT LYONNAIS SECURITIES

(London)

Baring Brothers & Co., Limited

Credit Suisse First Boston France

Goldman Sachs International Limited

County NatWest Limited

July, 1991

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)

NOTICE OF SEPARATE CLASS MEETING OF S ORDINARY SHAREHOLDERS AND THEN A GENERAL MEETING

(a) a neeting of the holders of the S ordinary shares in Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg on Thursday, 15 August 1991 at 9.10 a.m. or immediately following the conclusion of the annual general meeting which is to commence at 9.00 a.m. on the same day, whichever is the later, for the purpose of considering and, if deemed fit, of passing with or without modification, the following resolution: 'Resolved as a resolution passed as a special resolution as contemplated in article 43.2 of the

Corporation's articles of association that the conversion of the S ordinary shares of 10 cents each in the Corporation into ordinary shares of 10 cents each as set out in the special resolution proposed in terms of paragraph (b) of the notice convening this meeting, be and it is hereby sanctioned.'

(b) a general meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg on Thursday, 15 August 1991 at 9.15 a.m. or immediately following the conclusion on that day of the separate class meeting, whichever is the later, for the purpose of considering and, if deemed fit, of passing with or without modification, the following special and ordinary resolutions:

"That subject to the passing of the resolution proposed in terms of paragraph (a) of the notice convening this meeting and pursuant to the provisions of article 41.8 of the Corporation's articles of association:

 all of the authorised 65 000 000 S ordinary shares of 10 cents each, of which 3 380 052 have been issued
and 61 619 948 are unissued, be and they are hereby converted into ordinary shares of 10 cents each ranking pari passu in all respects with the existing ordinary shares of 10 cents each in the capital of the

- article 6 of the articles of association of the Corporation be and it is hereby deleted." Ordinary resolution

'That subject to the passing and registration of the special resolution proposed in terms of the notice convening this meeting and after providing for the allotment and issue of ordinary shares in terms of the share incentive scheme and the employee shareholder scheme, the directors are hereby authorised to allot and issue all or any portion of the remaining unissued ordinary shares of 10 cents each in the capital of the Corporation in their discretion in terms of and subject to the provisions of the Companies Act, 1973, as amended, and the rules and regulations of The Johannesburg Stock Exchange.'

The reason for proposing the special resolution is to provide for the conversion of the authorised and issued S ordinary shares in the capital of the Corporation into ordinary shares. The resolution will have this effect and will also effect the deletion from the articles of association of the Corporation of article 6 which contains the conditions attaching to the S ordinary shares.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the general meeting must comply with the regulations of the Corporation under which share warrants to bearer are issued.

A member entitled to attend and vote at the separate class meeting of S ordinary shareholders and/or the general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a member of the Corporation. Proxy forms must be lodged with the Corporation's share transfer secretaries by not later than the times indicated thereon. Completion of a form of proxy will not preclude a member from accending the meering. By order of the Board C. L. MALTBY

Registered office London office 44 Main Street 40 Holborn Viaduct Johannesburg 2001 (P. O. Box 61587 (arshalitowa 2107)

Share transfer secretaries
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Boarne House
34 Beckenham
Bockenham (P. O. Box 61051

GGG

24 July 1991

Amev asks for financial details on Mutual Benefit

AMEV, the Dutch insurer, has asked for financial details of the disability, life and health

Mr Arie Fakkert, a company spokesman, said that "with a healthy interest we have asked for further information on that company." He added no takeover talks were being held,

but these could take place.

The US group was seized by state regulators last week. Mr Fakkert said the Mutual Benefit operations in which Amev is interested are

He repeated his earlier statement that Amev is examining more than one possible takeover target in the "It (Mutual Benefit) is really not the only company which

we are looking at," he said. Mutual Benefit said there were a number of potential investors who were interested

operations or some form of capital infusion.

Sentiment towards the company took a turn for the worse last year after talks with Metropolitan Life, the second largest US insurer, broke down, leading eventually to a run of surrenders at the

These shares beging been sold, this announcement appears us a matter of record only.



FF 527,608,500

Offering of 128,685 shares (FF 25 nominal value)

Issue Price: FF 4,100 per share

CREDIT LYONNAIS SECURITIES (USA) INC.

French offering of 65,629 shares

CREDIT LYONNAIS

Crédit Industriel . La Compagnie Financière Edmond de Rothschild Banque et Commercial

services or investment banking Société Générale BANCO Santander has allo-cated the bulk of Pta50.31bn Crédit Commercial de France Banque J.P Elkann S.A.

(\$459.4m) in extraordinary first-half income to general Banque OBC - Odier Bungener Courvoisier provisions, a bank official said. He said the provisions, total-ling Pta45.69bn, did not reflect losses but rather a parking (*) US Private Placement (Rule 144 A) of 12,869 shares

first-half group pre-tax profit of Pta57.83bn, up 21.4 per cent on the same period last year. The extraordinary income

The bank earlier reported

operation for the funds.

was largely from the sales of Santander stakes in Electra de Viesgo to Empresa Nacional de Electricidad SA-Endesa and in Banca Jover to Crédit Lyon-The two have also formally nais.

Schlumberger SCHLUMBERGER LIMITED SECOND QUARTER EARNINGS UP 25%

New York, New York, July 18 - Schlumberger Limited reported that improvements at each business group litted second quarter earnings to \$181 million, a gain of 25% over the same quarter a year ago. Earnings per share were \$0.76,25% higher than one year ago and 36% higher than the preceding quarter as ciffield activity shock off both normal seasonsi effects and delays. resulting from the Gulf War. Compared with one year ago, operating revenue in the second quarter was \$1.55 billion, up 20%. Excluding acquisitions, revenue

During the first Six months of 1991, both net income and earnings per share increased 15%, to \$314 million and \$1,32 per share, respectively, compared with the same period one year ago. Operating revenue was \$3.06 billion, up 22% compared to the first half of 1990.

Evan Baird, Chairman, stated, "In spite of a 7% decline in active worldwide drilling rigs during the second quarter, official revenue increased in all areas, led by significant activity growth in the Eastern Hernisphere and Latin America. New products and services fueled this continued growth."

He further stated, "The quick recovery of business confidence after the Gulf War seems to ensure that the economies of the world will pull out of the presen recession sooner rather than later. The growing activity in the calleids outside North America reflects governments, and oil industry's continuing effort to broaden the base of new oil supplies. As a result, we believe that the progress ". reflected in the results of the second quarter will continue."

CREDIT LYONNAIS CANADA USD 18.000.000 SUBORDINATED FLOATING RATE GUARANTEED

Enskilda Securities

DEBENTURES DUE 2001 informed that the rate applicable for the second interest period has

been fixed at 6.7125% The coupon nº 2 will be payable at the price of US\$ 3,430.83 on January 22nd, 1992, ting 184 days of interest covering the period as from

January 21st, 1992 inclusive. The Reference Agent and Principal Paying Agent CREDIT INONNAIS LUXEMBOURG S.A.

july 22nd, 1991 to

CIVAS INTERNATIONAL LIMITED SERES CIVAS 15 U.S. 420,000,000 scored Flueting Rate Notes due 1997

interest Rate 6.52063% p.s. francist Period July 24, 1901 to January 24, 1502, Impired

1990年中国中国中国共和国共和国国

· 4

YEN 11,000,000,000 Floating Rate Notes due 1992

NATIONAL BANK OF CANADA

In accordance with the description of the Notes, notice is hereby given that, for the interest period July 22,1991 to January 21, 1992 the Notes will carry an interest rate at 7.45% p.a.

The interest payable on January 21, 1992 against coupon nº 9 will be YEN 373,409 per Note of YEN 10,000,000.

The Reference Agent THE TOKAI BANK, LIMITED **BANK OF GREECE** US\$150,000,000 Floating rate notes due 1994

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 6 fener cent for the period 24th July 1991 to 24th October 1991.

Total interest payable on 24th October 1991 will amount to US\$338.36 per US\$10,000 Note and US\$8,458.77 per US\$250.000 Note.

Agent: Morgan Guaranty Trust Company

insurance activities of Mutual Benefit Life Insurance, the troubled US insurer, Reuter

profitable. He gave no further details.

in the business, but it declined to elaborate further. Long before last week's selzure, the company had sought to prop up its financial position with either the sale of

sting time

er distr

This announcement appears as a matter of record only

\$1,000,000,000

The Equitable Life Assurance Society of the United States

\$250,000,000 Surplus Notes \$750,000,000 Secured Notes

These securities have been placed with

AXA

These securities are exchangeable for Council Council

The undersigned, together and Peter Wodtke and Peter Wodt

visors in Europe, re United States

s placement agents

Donaldson, Lufkin & Jenrette

J.P. Morgan

Goldman, Sachs & Co.

July 23, 1991

to sell the Bridge holdings at the once profitable Simsmetal

INTER

Mobil set back by lower refining margins

By Karen Zagor in New York

MONSANTO, one of the said its underlying secondbiggest US chemical companies, yesterday posted strong growth in its underlying sec-ond-quarter earnings, but a big charge in the quarter pushed the company into a net deficit.

On Wall Street, Monsanto's shares climbed to near their 52-week high of \$741/4, adding \$3% to \$73% by midday.

For the three months ended June 30, Monsanto posted a net loss of \$52m, or 42 cents a share, including an after-tax charge of \$325m, or \$2.54. In the second quarter of 1990, Monsanto recorded net income m the three months rose 4 per cent to \$3.47bn from \$2.37bn.

MOBIL, the second biggest

integrated oil company in

North America, yesterday reported a 6 per cent decline in underlying second-quarter

Underlying gains in explora-tion and producing were not strong enough to offset weak-ness from refining and market-

Net income in the quarter months was \$445m, or \$1.08 a share, against \$498m, or \$1.19,

By Martin Dickson in New York

US energy group which has been undergoing a restructuring since the death of its chairman, Dr Armand Hammer, yesterday announced net income

of \$147m, or 49 cents a share, in the second quarter, com-

pared with \$89m, or 30 cents, a year ago. Sales were unchanged at \$5.1km.

However, the figures for the

two periods were distorted by

special items. The 1991 figures

included an after-tax gain of

\$85m from the sale of the com-

weak oil and gas prices pushed Imperial Oil, Canada's biggest oil company, into a second-

Imperial, 70 per cent owned

by Exxon, swung to a C\$63m (US\$54.5m) loss, equal to 33

cents a share, from earnings of C\$238m, or C\$1.25 a share, a year earlier. Last year's figures

included a C\$222m gain on

Revenues fell to C\$2.34bn

The Canadian market for

refined oil products has been unexpectedly weak this year,

and the industry's margins

have been severely squeezed. Canada's refineries have

divestments.

from C\$2.66bn.

OCCIDENTAL Petroleum, the US energy group which has in China and a \$12m tax benefit. The 1990 figures included a

Soft fuel demand pushes

Imperial Oil into deficit

SOFT DEMAND for fuel and higher operating costs than

The Republic of Panama

U.S. \$50,000,000

Floating Rate Serial Notes due 1991 For the six months

25th July, 1991 to 27th January, 1992

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has

been fixed at 7.0625 per cent. per annum, and that

the interest accrued on the outstanding unpaid

principal to 27th January, 1992 will be U.S. \$182.45.

The Industrial Bank of Japan, Limited

Agent Bank

BRISA

Auto-Estradas de Portugal S.A.

Japanese Yen 10,000,000,000

Guaranteed Floating Plate Notes 1992

In accordance with the description of the Notes, notice is hereby given that for the interest period from July 22, 1991 to January 21, 1992, the Notes will carry an interest rate of 7.3 % per annum.

The interest payable on the relevant Interest Payment Date, January 21, 1992 against coupon No 9 will be Yen 365,691 per Note of Yen 10,000,000 nominal.

U.S. \$75,000,000

SWEDBANK

(Sparbankernas Bank)

Subordinated Floating Rate

Notes due 1997

Notice due 1997

Notice is bereby given that for the three months interest Pariod from July 24, 1991 to October 24, 1991 the Notes will carry an interest Rate of 6°4% per annum. The interest payable on the relevant Interest payable u.s. \$4,072.82 and U.S. \$182.92 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000. The sum of U.S. \$162.92 will be payable per U.S. \$10,000 principal amount of Registered Notes.

By: Ton Chase Manipalian Bank, N.A.
Lumian, Ageal Bank

July 24, 1991

The Agent Bank: Kredietbank S.A. Luxembourgeoise

SANDAOAO BANK

leitulo Benestio Sau Paolo di Torine 1,000,000 Ralion Lice Call Warmels to

in accordance with provisions of the Warranta, notice is hereby given that the composition of the underlying basket has seen changed to reflect rights leaves in the

The composition of the basket is now-30 Societa' Financiaria Telefonica S.p.A.

shares
40 Societa' Italians per l'Esectifo delle
Telecommunicazioni S.p.A shares
4.4 SRTI S.p.A. shares
4 Italiania S.p.A. shares

The exercise price remains at 296,777 Ure

purchase a bestat of Italian Sh

ing in the three months.

By Karen Zegor

quarter earnings were \$278m, or \$2.12 a share, excluding the restructuring charges.

Mr John Garcia, an analyst at Wertheim Schroder, cau-tioned that the earnings reflected an exceptionally low tax rate of 27 per cent, compared with 34 per cent last year and 35 per cent in the first quarter. "On an apples-to-apples

basis, Monsanto's second-quar-ter earnings were about \$1.87 a

share," he said. In June, Monsanto said it would cut its 41,000-strong workforce by 2,500 and take a second-quarter charge. The company, which moved away from commodity chemicals

latest quarter from asset sales, while the 1990 results benefited

from net special items of \$70m.

Mr Paul Miotok, an analyst at Morgan Stanley, said the results were in line with his

expectations, and he had no plans to adjust his 1991 esti-

mated earnings of \$5 a share. In the first half, Mobil had

net earnings of \$1.16bn, or \$2.81 a share, against \$898m, or

Occidental advances to \$147m

\$41 after-tax gain from the sale

of certain oil and gas proper-

Mr Ray Irani, Occidental's

new chairman, said the com-pany was ahead of schedule with its restructuring plan,

which was designed to cut the group's high level of debt through \$1.5bn of asset sales

As well as the Chinese coal deal, Occidental has sold its

North Sea oil interests and

their larger US counterparts, and high prices have led a growing number of Canadians

living near the border to fill up

The Canadian industry's

profits have been further hit

by the unremitting drop in nat-

ural gas prices. Imperial said that the the

third quarter is likely to show

some improvement, with wider margins and lower fixed costs.

far higher than most analysts had predicted. Canada's other two integrated oil companies,

Shell Canada and Petro-

Canada, are also expected to

The second-quarter loss was

their cars on the US side.

by the end of this year.

ties and \$20m of tax gains.

Mr Allen Murray, chairman,

\$2.13, in the 1990 period.

towards less cyclical products during the 1980s, said its restructuring mainly involved the consolidation of some of its chemicals operations. Mr Richard Mahoney, chair-

man and chief executive, said Monsanto's agricultural business had its best ever quarter.
"Our chemicals unit is steadily recovering from the effects of the recession, and the results for our NutraSweet unit remain on track. Fisher Con-trols, which has held up extraordinarily well through the depths of this recession. saw good order levels, although some softening in orders began to appear toward

said: "As anticipated, second-

quarter earnings were signifi-cantly lower than the excep-tionally strong first quarter,

largely due to lower interna-tional earnings. International

marketing and refining saw

refining margins fall from the record high levels experienced early this year when cold weather in Europe and the sit-uation in the Middle East

Excluding one-time items,

of its domestic natural gas liq-

uids business by the end of the

third quarter.
Occidental's oil and gas divi-

sion earned \$54m in the second

quarter, up from \$48m, thanks

to higher crude prices, increased natural gas volumes

and higher domestic natural

gas liquid prices. The natural gas transmission division made \$49m, down from \$51m. The chemical division saw

earning drop from \$172m to

\$127m, because of lower mar-

gins on petrochemicals and other products.

Canadian telecommunications equipment supplier, lifted sec-ond-quarter earnings by 11 per

cent and revenues by 24 per cent, largely because of the contribution of STC, the Brit-

ish group acquired earlier this

However, the Toronto-based

group cautioned that the reces-

sion in North America and

some European markets made prospects for the rest of the

Net earnings in the second quarter were US\$106.5m, or 42

cents a share, up from

US\$95.7m, or 37 cents, a year earlier. Revenues climbed to

Order input for the quarter was 19 per cent higher at just over \$2bn, and the \$2.8bn order

backlog on June 30 was 52 per

cent up on a year earlier.

A company official declined

to specify STC's contribution.

which has been consolidated

into Northern Telecom Europe.

AMOCO, one of the largest US

integrated oil companies,

posted second-quarter earnings of \$238m, or 48 cents a share,

against \$379m, or 75 cents, last

year. Revenues were \$6.7bn

sgainst \$7.4hn.
First-half earnings were
\$1.04bn, or \$2.08 a share
(including a gain of \$311m, or
62 cents, from an accounting
change), against \$845m, or

\$1.66. Revenues were \$14.1bn

Latest earnings include

after-tax provisions of \$68m

related to restructuring of operations and writedowns in the chemical business.

the chemical business.
ATLANTIC RICHFIELD, the
US oil company, registered second-quarter net income of

\$246m, or \$1.51 a share, against

\$391m, or \$2.36, a year ago.

Sales and other revenues were

First-half net income was \$597m, or \$3.68 a share, against \$983m, or \$5.91, last time. Sales

and revenues were \$8.9bn

GRUMMAN, the largest US

producer of carrier-based air-craft, reported second-quarter net income of \$29.6m, or \$6

cents, against \$26.7m, or 78

cents, a year ago. Sales were \$1.01bn against \$1.05bn.

First-half net income was

\$52.1m, or \$1.51 a share, against \$43.2m, or \$1.25. Sales were \$1.89bn, compared with \$1.91bn a year earlier. JOHNSON & JOHNSON, a lead-

ing manufacturer of health-care products, posted second-

quarter net earnings of \$406m, or \$1.22 a share, against \$353m, or \$1.06. Sales were \$3.08bn

against \$2.79bn. First-half earnings were

\$824m, or \$2.47, against \$597m

\$4.2bn against \$4bn.

against \$8.2bn.

Revenues from all key prod-

US QUARTERLY RESULTS

year uncertain.

\$2.1bn from \$1.7bn.

By Bernard Simon

| Northern Telecom gains

11% on STC contribution

Monsanto's agricultural products operations, which include Roundup herbicide, had operating income of \$243m, including benefits of \$30m from the restructuring. In the 1990 second quarter, the business brought in operating income of

Monsanto's chemicals business suffered an operating loss of \$370m in the quarter, including restructuring charges of \$478m. Demand for its chemicals products declined in the latest quarter, but the com-pany said there was steady growth in demand for its fibres products in particular. In the 1990 second quarter, the unit had operating income of

ing earnings of \$52m in the quarter, up 34 per cent from the previous year. Including special items in both periods, earnings fell to \$226m in the

latest quarter from \$270m.

Income from marketing and refining was essentially unchanged, at \$279m in the

quarter against \$278m a year earlier. Excluding special items, operating earnings from

the business fell \$66m in the

Ray Irani: restructuring plan on schedule

largest percentage increase coming from STC's non-tele-

Sales grew in all regions except Canada, where reces-

sion and an accounting change

pushed revenues down by 3 per

cent. Growth was especially strong in Europe, Latin Amer-ica and the Caribbean.

close an earnings breakdown, but acknowledged that its mar-

kets were "extremely competi-

tive". Dr Paul Stern, chairman, said he was "cautiously opti-

mistic" about prospects for the

rest of 1991. Northern Telecom has sold

several of STC's non-core busi-

nesses, including its land

cable, electrical components and electronics distribution

divisions. The first two are

included in the second-quarter results. Proceeds have been

used mainly to reduce debt

which stood at US\$2.4bn on

June 30, down from US\$2.9hn

or \$1.79. Sales were \$6,2bn

against \$5.6bn.
First-half 1990 figures were reduced by \$125m, or 38 cents a

share, after tax due to a first

quarter non-recurring charge

for the permanent impairment of certain assets and operations in Latin America.
KNIGHT-RIDDER, the newspa-

per group, posted second-quarter income of \$41.6m, or 82

cents a share, compared with

\$44.6m, or 88 cents, a year ago. Revenues fell to \$569.5m from

First-half net income fell to

\$57.4m, or \$1.14 a share, from

\$70.5m, or \$1.37. Revenues slipped to \$1.11bn from \$1.15bn. The group warned that it did

not expect earnings-per-share

growth in 1991 despite an

enticipated strong fourth quar-

ter unless the economy showed

a vigorous improvement. It

earned \$149.1m, or \$2.94, in

PEPSICO, the world's second

largest producer of soft drinks, reported second-quarter earn-

ings of \$318.3m, or 39 cents a share, against \$292.5m, or 36 cents. Sales were \$4.7bn,

First-half earnings were

\$523.7m, or 65 cents, against \$474.4m, or 59 cents. Sales for the six months were \$8.8bn,

Rarnings for the 1990 periods include a \$9.1m unusual charge

(\$5.5m after-tax, or \$0.01 per

share) to write off receivables in domestic soft drinks and

snack foods due to a major

retail customer filing for bank-

ruptcy. In addition, share data has been restated to reflect the August 1990, three-for-one

against \$4.2bn.

against \$7.9bn.

\$591.7m.

The company did not dis-

communications busines

Trust shows steady growth By Patrick Harverson

Bankers

STEADY growth in almost all of its main business areas boosted second-quarter profits at Bankers Trust to \$185m, or \$2.16 a share. The New Yorkbased group made profits of \$174m, or \$2.06, in the same quarter a year ago. A big contribution came

from BT's capital markets and global trading businesses, which brought in trading reve-nues of \$329m, 30 per cent up

on a year ago.

The bank enjoyed success trading less developed countries' (LDC) debt, foreign currencles, government bonds, and commodity and currency derivative products.

Asset and fund management was another strong area for

was another strong area for the group, with revenue rising 22 per cent to \$141m. A decline in corporate finance fees to \$58m, however, depressed total fees and commissions

\$22m to \$125m.

BT's loan portfolio stood at the end of the second quarter at \$18.09bn, down from \$21.4bn at end-1990. The allowance for credit losses stands at \$1.97bm, or 10.9 per cent of total loans. During the quar-ter, BT raised its provision for

American **Express slips 20%**

By Martin Dickson in New York

AMERICAN EXPRESS, the US travel and financial services group, announced a 20 per cent drop in second-quarter It reported second-quarter

net income of \$256m, or 53 cents a share, down from \$320m, or 73 cents, in the same period of 1990, on revenues of \$6.4bm, against \$6.01bm. The figures were slightly better than expected. The results incorporated a

previously-announced \$144m write-off of Shearson's investment in First Capital Holdings, a Californian insurer seized by regulatory authori-

TRS reported net income of IDS earnings rose 19 per cent to \$61m. Shearson had operating income of \$98m, but FCH and other write-offs meant a net loss of \$37m, compared with net income of \$51m.

Hughes Aircraft to expand non-defence side

HUGHES Aircraft, the leading US defence electronics group, has announced plans for a restructuring, designed to help its expansion into non-defence markets at a time when the American military budget is rapidly shrinking, writes Martin Dickson.

The company said it was considering consolidating its seven operating units into three business areas by the mid-1990s: aerospace and defence; telecommunications and space; and new commer-cial business, which would concentrate on building up non-defence operations in areas where the group had a particular expertise. Hughes Aircraft is a subsidiary of Gen-eral Motors, the largest US carmaker, and wants to increase its support for GM's automotive operations.

US defence spending is fall-ing at about 5 per cent a year and Mr Malcolm Currie, chair-man of Hughes Aircraft, wants to reduce the company's dependence on the defence sector from about 70 per cent of sales to around 50 per cent.

• Lockheed Senders, a unit of the US Lockheed defence group, and Matra Defence of France have signed a memo-randum of understanding to jointly develop and market an air defence system.

Falconbridge tumbles 63%

By Robert Globens

FALCONBRIDGE, Canada's second biggest nickel producer, posted a second-quarter profit of C39.9m, down 63 per cent from C\$26.8m (US\$23.1m) Revenues were \$463m, down 11 per cent

First-half earnings were C\$34.4m, up 18 per cent, on revenues of C\$936m, a fall of 8 per cent.

The company is now 50-50 owned by Noranda of Canada and Trelleborg of Sweden.

TransCanada PipeLines reported a 17 per cent gain in second-quarter profits to C\$52.7m, or 33 cents a share. First-half earnings rose to C\$120m, or 66 cents a share, from C\$107.5m, or 62 cents,

Carter Holt sells holding in Bridge Oil for net loss By Mark Westfield in Sydney CARTER Holt Holdings

CARTER Holt Holdings, the New Zealand forestry group, has sold its 49.6 per cent stake in Bridge Oil, the Australian oil and gas producer, for a net loss after trying for 12 months to dispose of the holding. Carter Holt sold the 205m shares to stockbrokers BZW

Australia and Bain Securities for 52 cents a share. The stockbrokers later placed the stock with institutions at 53 cents. The New Zealand group had been trying to sell the shares since it acquired the holding when it purchased Elders Resources NZFP from Elders IXI. (now called Footer's Brew.

IXL (now called Foster's Brewing Group).

When Carter Holt gave BZW and Bain an exclusive mandate trying unsuccessfully to sell

was little interest above the market price at the time of 56 cents to 59 cents. Bridge Oil's share price has fallen to a 10-year low, while

70 cents a share in June, there

Carter Holt has been trying to sell its shareholding.

The share price is expected to recover now the Carter Holt shares no longer overhang the

Bridge shares have also suf-fered following the forecast by Mr Robert Strauss, the chairman last May that the average gas price for its US production for the 1991 year would be 20 per cent lower than in 1990.

Japanese buyers appear to have broken down and the company is considering floating Simsmetal. Carter Holt said when It

recycling business it also inherited with the Elders

Resources purchase.
Negotiations with potential

Carter Holt said when it bought Elders Resources that it would sell all of the company's non-forestry operations.

Carter Holt itself is under threat of a creeping takeover by Brierley Investments. The New Zealand group stands to move to a 30 per cent holding in Carter Holt if it exercises a call option it holds over the remaining 6.5 per cent held by the Carter family.

BNZ 'operating profitably'

By Terry Hall in Wellington

BANK of New Zealand was operating profitably in all key areas of its operations follow-ing December's drastic restructuring, according to Mr Syd Paisley, chairman. The bank required a

NZ\$660m (US\$375m) capital injection from its leading shareholders, the New Zealand government and Fay Richwhite, the merchant bank, after revealing that it faced substantial asset write-downs in Australia following the country's deteriorating eco-

Mr Paisley said yesterday that subsequent events in Aus-tralian banking had proved that BNZ was correct in moving quickly and decisively, with some estimates of the

that it was too early to make any realistic projections on profitability for the coming year, but he believed the bene-fits of the "hard decisions undertaken in the past two years were showing through".

Mr Lindsay Pyne, managing director, said recoveries through the ADERO company. set up to handle the poorly per-forming loans as part of the restructuring, were proceeding

on target. He said BNZ had paid the government NZ\$91m in tax, that it would not otherwise have received. Before December's agreement, BNZ could have treated this as a tax

level of underperforming debt across all banks in Australia at A\$16bn (US\$12.2bn). He said the loan money advanced by the government as part of the restructuring arrangements.

He told a shareholder that he "couldn't guarantee" that the government would not sell itie shareholding in the bank over

the next 12 months. "But I am not aware of any move by them to sell, and I would expect we would be advised."

Mr Len Bayliss, a long-term
critic of government economic
policy, resigned as a government appointed director. Two new directors were appointed: Mr Kerry Macdonald, manag-ing director of Comalco New Zealand, and Mr Sandy Mister, chief executive and statutory manager of DFC New Zealand.

GPT promises bigger dividend

GENERAL Property Trust, Australia's largest listed prop-erty trust, has promised an increased distribution for the June half despite a 7 per cent fall in net operating income for the six months.

The trust announced a second-quarter distribution of 7.2 cents for each unit, taking the total payout for the six months to June 30 to 14.1 cents, of which 5.2 cents will be tax free. GPT paid out 13.3 cents for

6 per cent increase is twice the manager's revised minimum distribution growth target. Directors forecast a total payout for the 1991 calendar year of 28.8 cents,

GPT's manager, Australian Funds Management, said the group's portfolio of retail and central business district prop-eriles withstood downward pressure on rental income with a sharp fall in interest income to blame for the lower earn-

The result was also affected The result was also affected by the revaluation of two key properties, its prime Australia Square and MLC Centre towers in Sydney.

Total asset value has been reduced as a result of the revaluation to Act Sthe

revaluation to A\$1.82bn : .: (US\$1.42bm) from A\$1.9bm.

Australia Square has been revalued to A\$400m from the A\$490m last year and the 20 per cent-owned MLC Centre is down 3 per cent to

Lazard Freres to advise **Newmont on investments**

SIR JAMES Goldsmith, the Anglo-French financier who holds 42 per cent of Newmont Mining and recently agreed to join the US gold group's board, said Newmont's newly-formed "corporate strategy committee" had called in Lazard Freres, the New York investment banking firm, for advice. It was announced last week that Sir James will chair the five-man committee - whose other members include Mr Gordon Parker, Newmont's chair-man, and Rudolph Agnew, originally Hanson's representative on the board but retained by Sir James when he acquired most of the UK group's stake

in Newmont, Sir James told analysts in New York on Monday the committee was "focusing on where we ought to be go" in an effort to generate internal and external growth.

Asked whether it would con-centrate on opportunities in the gold industry, Sir James said he believed that "you build on strength", adding that it would have to be

behind the recently abandoned merger plan involving New-mont and American Barrick. He claimed the deal had failed because many of the merger benefits lay in one particular geological area – the Carlin Trend deposit in Nevada – and that these could be achieved by private contract.
When he acquired Hanson's 49 per cent Newmont stake — along with funds managed by Lord Rothschild, which took the other 7 per cent took the other 7 per cent - Sir James suggested his holding would be reduced. But he said this week that he was "in no hurry". Instead, he enthused about prospects for gold.

unusual situation" to merit examination outside this field. Sir James denied he had

been the motivating force

Newmont Mining, meanwhile, has reported second-quarter profits of \$22m against \$31.6m a year earlier. The latest figure is after \$3.6m of "unusual charges". In 1990, there were \$6.1m of unusual charges and \$11m profits from discontinued operations.

Proton group takes 15% stake in C&C By Lim Siong Hoon

in Kuala Lumpur

EDARAN Otomobil Nasional (EON), the Malaysian distributor of the Proton car, is to take a 15.1 per cent shareholding in Cycle & Carriage (C&C), a publicly-listed car assembler of arating in both Singapore and Malaysia.

The M\$302m (US\$108.6m) deal paid for with 32.5m LON shares, will expand EDN's involvement in the Singapore car market, where C&C it a

Proton distributor. In the two countries, G&C assembles and distributes the Mercedes Benz range, but also sells Misubaishis in Singapore and Mazdas in Melantagore

and Mazdas in Malaysia

Proton, made in a state-controlled plant with Mitsubishi trolled plant with Mitsubishi technology and engines, has in per cent of Malaysia's market.
Last year, EON reported a 103 per cent rise in pro-tix profit to M\$112.8m on a pen over of M\$2.1bn. C&C. which will gain 21 per cent of the expanded EON, reported \$1831 first-half operating profit of

first-half operating profit of

GFW unloads Barcora stake By Mark Westfield

GOODMAN Fielder Wattie, the

Australasian food group, yes-terday cleared away the last of the bull market baggage taken on under Mr Pat Goodman, its former executive chairman, when it sold the 92 per cent stake it held in Barcora, its wholly-owned subsidiary. Barcora, the former manage-

ment vehicle 51 per cent owned by executives, was wholly acquired by the company at the end of the 1990 financial year for a nominal A\$2. Goodman Fielder took a loss of

A\$8im (US\$63m) on the pur-chase as part of a total of A\$203m in write downs on various investments that plunged the group into loss for the

Goodman chose to delay its sale of the Barcora parcel until after Foster's Brewing Group unloaded its 9.8 per cent stake in June

Mr Michael Nugent, group managing director, said the A\$168m proceeds from the Barcora sale would be used to

The shares were crossed by Potter Warburg at A\$1.70 each, 13 cents below market and well under the A\$2.16 Goodram Fielder needed to break even on the investment. There are no significant holdings in Goodman Fielder overhanding the market as a result of pesterday's sale.

Mr Nugent predicted flat
Goodman Fielder's net profit
for the 1991 year would be
between A\$100m and A\$111m b
and he would recommend
dividend of 6 centre a short dividend of 6 cents a share: "

AECI declines 56% in first half

By Philip Gawith in Johannesburg

A COMBINATION of difficult international and domestic trading conditions saw AECI, South Africa's largest chemical company, record a 56 per cent fall in earnings in the six months to end-June.

Turnover at AECI, whose main shareholders are Imperial Chemical Industries and Anglo American, rose 5 per cent to R2.5bn (\$874m), but net trading income was 38 per cent down at R136m

Mr Mike Sander, managing

director, said the results - the third reporting period in succession to show a 10 per cent real reversal in turnover reflected the "unrelieved downturn in demand" Earnings per ordinary share declined to 32 cents from 73

cents in the same period last The interim dividend has

been cut to 18 cents from 80 cents per share. Apart from recessionary con-ditions in the domestic market,

AECI was also hit by the while ness of the international chainical industry and ineffective protective structures which have made the local industry vulnerable to dumping.

Mr Sander cited PVC landing on South Africa's shore at \$20 to \$400 a touns compared world domestic prices clear to \$550 a touns.

\$550 a tonne. Mr Sander anticipates Hitle improvement in trading condi-tions, but the second half of the year is traditionally better.

stock split. Compiled by Rivka Nachoma ما ا و ن المحل

DE CENTRAL DE COMPA aware of my me government to your resident to your appointed directors were me the control of Combined to the control and the CE EXECUTIVE and the

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INTERNATIONAL CAPITAL MARKETS

10,060 08/00 103,1500 -

8.000 05/01 8.125 05/21

per cent, a figure of close to 4.5 per cent would intensify fears that inflation is running out of

The fall in German bond

prices narrowed the yield spread between bunds and

French government bonds. At the benchmark 10-year matu-rity, the yield spread is now 53 basis points, against 55 basis points on Monday. This com-pares with a yield spread of

over 100 basis points in June.

However, a cut in French interest rates appears distant for now. Even with French

inflation running below that of Germany for the first time in

18 years, the weakness of the franc in the European

exchange rate mechanism, and the risk of a further rise in

German rates, leaves the

French monetary authorities

96-26 -02/32 96-20 -06/32 91-26 -11/32

Treasuries weaken ahead of two-year note auction

By Patrick Harverson in New York and Simon London in London

APPREHENSION shead of the internoon auction of two-year tides left bond prices weaker cross the board yesterday	_
cross the board yesterday norming. By midday, the benchmark cyear government bond was come at 982, yielding 8.470	AU

per cent. The two-year note was also lower, down i at 100% to yield 5.874 per cent. With large amounts of two-year (\$12.5bn) and five-year (\$12.5bn) paper due to be sold leaders and investors remained authous about dipping their actions about dipping their bes into the pre-auction maref. Subsequently, trading clivity was reported to be arremely light as prices lipped back slightly in the beence of buyers.

Such was the market's leth-

argy, that a warning by the chairman of the president's council of economic advisers that the Federal Reserve must be prepared to lower interest

GOVERNMENT BONDS

rates again if economic condi-tions require it went largely

GERMAN government bond prices fell back as the market papered concern at regional

inflation data showing con-inflation data showing con-sumer prices rising faster than expected.

To the London International Enancial Futures Exchange, the September bund futures contact closed at 83.70, having prened at 84.04. Inflation data from North

with little room for manoeu-Rhine Westphalia, Germany's most populous state, showed a year-on-year rate of 4.3 per cent, up 1 per cent on the rate ■UK government bond prices fell sharply yesterday, wiping out the gains seen on Monday following the release of bettera month earlier. Data for the whole of Germany is expected tomorrow or Friday. While sales figures.

Longer-dated gilts saw the most analysts are expecting national inflation to breach 4

Foncier lifts Ferri stake to 33.5% BENCHMARK GOVERNMENT BONDS

6.67 8.58

10.27 10.27 10.23 10.22 9.99 9.95

8.24 8.44

8.29 8,49

8.29 8.48

mark 11% per cent gilt matur-ing 2003/2007 closed at 1091.

opened at 6.74 per cent.
Today, the market is expect

ing an auction of Y800bn 10-

year bonds at a coupon of 6.6

per cent. The authorities may

choose to add a fungible

By George Graham

Crédit

CREDIT Foncier, the leading French property financing institution, has lifted its stake in stockbroker Ferri to 33.5 8.96 9.98 9.96 in stockbroker ferri to 33.5 per cent, reinforcing the broking firm's capital base.

Ferri, which will still be 33.5 per cent-owned by Mr Alain Ferri and Mr Bernard Ferri, was one of the last independent brokers in Paris.

Step the sellars of Triffer

Since the collapse of Tuffier Ravier last year, however, investors have been increas-ingly wary of dealing with firms which do not have the explicit backing of a large financial institution.

ously owned 15 per cent of Ferri, will thus become the biggest falls in price, with the governments £1on issue of 9 broker's sponsor, alongside the Caisse des Dépôts et Con-signations, the state financial per cent conversion stock maturing 2011 still over-hang-ing the market. The benchinstitution, with 10 per cent, and Union des Assurances de Paris (UAP), the leading stateowned insurance company, which will raise its stake to down % of a point on the day, for a yield of 10.25 per cent. Prices at the shorter maturi-

6.6 per cent. ties were more stable. For The operation mirrors the recent move by the Caisse des Dépôts to lift its stake in Fauexample, the 10 per cent gilt maturing 1996 closed just & of a point lower than yesterday at 98H, for a yield of 10.26 per chier-Magnan-Durant des Anl-nois, another independent bro-

ker, to 35 per cent.
Ferri, whose profits plunged
last year to between FFr5m
and FFr10m compared with
FFr35m to FFr40m the year
before, said yesterday it expec-JAPANESE government bond prices were firmer overnight in Tokyo, with the yield on the benchmark Japanese government bond issue No 129 ted to report positive results closed at 6.72 per cent, having

The whole Paris broking profession has faced profits pressure because of declining trading volumes and thinner ion rates due to heavy computer and investment

tranche to the existing issue The independents, however, No 140, bringing the total size to Y2,300m. At this level the have faced the most difficulties as they sought to reassure clients worried by the Tuffier become a benchmark issue affair. In that instance, the largest shareholder, the Caisse Centrale des Banques Popu-laires, refused to take over responsibility for the falled broker. Private clients had to wait for nearly a year to be

Australia tightens property trust rules

AUSTRALIA's federal government has moved to shore up the troubled A\$7bn (1935.3bn) unlisted property trust industry by imposing a smiform 12-month notice period Sor withdrawal of funds, writes Mark Westfield in Sydney. AllThe Attorney-General, Mr Afficiant size of Michael Duffy, said the decision would protect the long-term interests of unit-

holders while most of Australia's unit trusts were being restructured in the wake of the 1990 commercial property market collapse.

Managers of several of the trusts have indicated they would seek unit-holder approval to adopt a redeemable listed trust (RLT) structure, in which unit-holders can trade units on the stock exchange or choose to redeem them at

thouse to realest them at stated asset backing.

The industry's umbrella organisation, the Investment Funds Association, welcomed the move, saying it would provide a match between provide a match between the long-term nature of the assets of the trusts and the need to provide liquidity for investors who wished to sell

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international	boards for whi	ch there is	en ede	quete (secondary market.	Latest	prices at 6:05 pm on J	uly 23 ,
U.S.,DOLLAR STRAIGHTS	Issued 150 1	Bid : Offer		Yield	OTHER STRANGATS	Issued	Chy.	Yield 1
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Heavier loss for Marine Midland

By Angus Foster in Hong Kong

MARINE Midland Banks, a the Hongkong Bank, yesterday announced a second-quarter net loss of US\$37m, its fifth successive quarterly loss. Losses for the first half of the year totalled \$109.3m, com-pared with \$19.8m in the same

period last year. The bank also made further rine bank also made further provisions for loan losses of US\$31.9m as it continued to be hit by losses on real estate and commercial lending in the

weak US economy. The results reflect the The results reflect the depressed state of the US banking sector. They will add to the troubles of the Hongkong Bank, which suffered a 35 per cent fall in profits last year, mainly due to losses from its US and Australian progrations.

Mr John Bond, who was last month sent from Hong Kong to take over the troubled US arm after the former chairman resigned, described the results as disappointing. "Our focus is to . . address our difficulties head on and reduce our

expenses," he said. Marine Midland has under marine minimum has under-gone a thorough restructuring since the Hongkong Bank bought the New York-based bank in 1987. However, although staff and occupancy costs fell in the first quarter, total congesting expenses roses. total operating expenses rose 4.6 per cent. This was partly due to restructuring costs and costs incurred while operating

repossessed real estate.

Marine Midland's results
were expected at Hongkong, where trouble among its over-seas subsidiaries has affected Hongkong Bank's share price. Last week, the stock came under pressure on rumours -that proved to be false - that Marine Midland was preparing to make heavy loan loss provi-

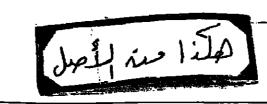
Hongkong Bank said it was too early to assess when Marine Midland's problems would end. No recovery would come before the US economy picked up, it said.

Fokus to propose shares write-down

FOKUS BANK, the third largest Norwegian commercial bank in terms of assets, will call an extraordinary meeting for August 7 to approve a planned write-down of shares from NKr50 to NKr10, writes Our Financial Staff.

The write-down will be the bask's extend this way follows.

bank's second this year following heavy losses and two injec-tions of government capital. For the first four months of this year, Fokus' operating losses more than doubled.



This announcement appears as a matter of record only

NEW ISSUE

23rd July, 1991



NAKAYAMA STEEL WORKS, LTD.

(Kabushiki Kaisha Nakayama Seikosho)

U.S.\$120,000,000

5 per cent. Guaranteed Bonds 1996

unconditionally and irrevocably guaranteed by

The Sanwa Bank, Limited

with

Warrants

to subscribe for shares of common stock of Nakayama Steel Works, Ltd.

Issue Price 100 per cent.

Nomura International

Sanwa International plc

Toyo Trust International Limited Banque Indosuez **Baring Brothers & Co., Limited Deutsche Bank Capital Markets Limited** Robert Fleming & Co. Limited **KOKUSAI Europe Limited** Merrill Lynch International Limited **New Japan Securities Europe Limited** Salomon Brothers International Limited Sumitomo Trust International plc **Towa International Limited**

Yamaichi International (Europe) Limited Banque Bruxelles Lambert S.A. Barclays de Zoete Wedd Limited **BNP Capital Markets Limited**

Dresdner Bank IBJ International Limited LTCB International Limited Mitsubishi Trust International Limited Nippon Credit International Limited Sanyo International Limited Taiheiyo Europe Limited **UBS Phillips & Drew Securities Limited** S.G. Warburg Securities

NEW ISSUE

23rd July, 199



TOSHIBA ENGINEERING & CONSTRUCTION CO., LTD.

U.S.\$100,000,000 5 per cent. Bonds due 1996

with

Warrants

to subscribe for shares of common stock of Toshiba Engineering & Construction Co., Ltd.

ISSUE PRICE 100 PER CENT.

Nomura International

Daiwa Europe Limited The Nikko Securities Co., (Europe) Ltd.

Bank of Tokyo Capital Markets Group Barclays de Zoete Wedd Limited **BNP Capital Markets Limited** Deutsche Bank Capital Markets Limited Merrill Lynch International Limited Société Générale Tokai International Limited

UBS Phillips & Drew Securities Limited

Mitsui Taiyo Kobe International Limited Yamaichi International (Europe) Limited

Bank of Yokohama (Europe) S.A. **Baring Brothers & Co., Limited Credit Suisse First Boston Limited** Kleinwort Benson Limited Salomon Brothers International Limited **Swiss Bank Corporation** Tokyo Securities Co. (Europe) Limited S. G. Warburg Securities

IADB's Euro deal meets strong investor demand

By Tracy Corrigan and Sara Webb

the Inter-American Develop-ment Bank met strong demand from investors in the Far East

and in Europe.

Dealers said there had been little long-dated paper avail-able, particularly from triple A rated borrowers such as the

Meanwhile, spreads in the secondary market have tightened, so the launch spread of 42 basis points above the 10-year US Treasury appeared attractive. The European Investment Bank's 9% per cent bonds due 2000 are, for example, quoted at a spread of 41 basis points, while the World Bank's 10-year global deal is trading at a spread of just 30 basis points over the yield

Lead manager Deutsche Bank Capital Markets reported strong demand from the Far East and Europe, and the deal was sold out in about an hour,

according to traders.

The issue was bid at 99.92, just above its reoffered level of

The European Investment Bank brought a DM300m issue of seven-year floating-rate notes in the D-Mark sector, which were targetted largely at Italian investors, for whom

Borrower US DOLLARS

British Land(d)

SWISS FRANCS

D-MARKS EIB(e)#1

AUSTRALIAN DOLLARS R & I Bk.of W.Australia(g)†

SWISS FRUNCS

City of Vienna(a)†

Akebond Brake Inds.(f)***

Toyo Shutter(g)***

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AOI ADV

Tokyo Mizawa Homes(j) + + + 5 Shihaura Electrics(a) + + + 5

A 10-YEAR Eurobond issue for such supranational borrowers are exempt from withholding

> Despite the weakness of the Japanese stock market, four new equity-linked deals were launched in the Swiss franc market, all of which slipped

INTERNATIONAL **BONDS**

slightly outside fees. However, a heavy slate of new issues is still scheduled in the Swiss market.

• Standard & Poor's, the US credit rating agency, has put the triple A rating of eight UK mortgage-backed issues on cre-ditwatch with negative impli-

The eight issues affected are Residential Property Securities No 1, and seven issues launched by The Mortgage Corporation (TMC).

The move follows the recent downgrading of Pohjola, Fin-land's largest non-life insurer, from triple-A to Double-A plus. S&P said the downgrade reflects "concerns about Pohjola's operating performance and the below-average liquidity of its investment portfolio".

NEW INTERNATIONAL BOND ISSUES

100,683

101.95

101%

FT-ACTUARIES SHARE INDICES

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1996

113

1712

Salomon and Morgan Stanley post strong gains

By Patrick Harverson In New York

Pohjola provides pool insur-

ance and mortgage indemnity

policies for the UK mortgage-backed issues which have been

placed on creditwatch. TMC

said it was assessing the insur-

ance implications and would

take action in the next couple

of weeks aimed at maintaining

the triple-A rating for these

Standard and Poor's yester-

day lowered its rating on debt owed by a subsidiary of Pru-dential Corporation, the UK's biggest institutional investor, writes Richard Lapper.

The senior debt ratings of

Prudential Finance BV, an overseas financing vehicle, were lowered to double A from

triple A. Approximately £400m of outstanding debt is affected.
According to Mr Paul Galpin, of S&P in London, the downgrading shows that "the

company for all its size is not

immune to all problems that other composites have experi-

enced and has its own crosses

to bear". S&P expect the company's

operating result will continue to be affected by difficult trad-ing conditions. "Although the

company's financial leverage is

expected to be reduced in 1991, it is not likely to return to conservative historic levels."

mura int. utsche Bk,Cap.Mkts

2/11/4 Hambros Sk.

1% Deutsche Bk.Cap.Mkts.

SALOMON and Morgan Stanley, two of the biggest securities houses in the US, yesterday reported robust April-to-June profits. The fig-ures completed the picture of another exceptionally strong

another exceptionally strong second quarter for Wall Street's broking community. The 48 per cent rise in quarterly net income to \$176m announced by Salomon took the firm's half-year profits to a record \$451m, which represented an 89 per cent increase on 1990 first-half earnings. Total revenues during the sec-Total revenues during the sec-

ond quarter were \$2.5bn, up from \$2.1bn a year earlier. Salomon enjoyed the best earnings growth at its securi-ties arm, Salomon Brothers. During the quarter, income from principal transactions increased 22 per cent to \$706m. Trading was buoyant, especially on mortgage, corporate and government bonds, while proprietary arbitrage

Equity trading business, however, was sluggish against the background of weakness in leading stock markets worldwide, a factor that was also reflected in flat retail broking

and derivatives trading also

Investment banking earnings fell slightly to \$142m, with a decline in mergers and acquisition advisory revenues

offsetting strong gains in income from equity and bond underwriting.

At Morgan Stanley, second-

at morgan stanley, second-quarter net income jumped 74 per cent to \$100.9m, based on net revenues of \$669.1m. Behind the big profit gains was strong growth in fixed income, equity, foreign exchange and commodities trading revenues. trading revenues, which together boosted income from principal transactions by 60 per cent to \$323.6m. A drop in Tokyo trading activity, how-ever, led to a fall in commissions to \$55.6m.

A rise in earnings on under-writing helped Morgan Stanley to a \$190m profit on invest-**APrivate placement. §Convertible. With equity warrants. ‡Floating rate nots. †Final terms.a) Non-callable. b) Callable on and after 28/2/94 at 103% declining by ½% semi-annually, except from 31/8/95 - 31/2/95 declining by 1%. Puttable 31/8/95 at 102½%. Coupon psystole semi-annually. **On-callable. d) Fungible with outstanding \$100m issue. Coupon psystole semi-annually. **Mandatorily convertible. Non-callable. d) Fungible with outstanding \$100m issue. Coupon psystole semi-annually. Non-callable at par after 2 years. Coupon psys 30bp minus 3-month Libor. f) Callable 8/8/93 at 102½ declining ½% semi-annually. g) Put option on 30/2/93 at 102½% to yield 8.907%. Coupon psysble semi-annually. () Callable on 8/2/93 at 101½% declining ½% semi-annually. g) Put option on 31/3/94 at 102½% to yield 8.907%. Coupon psysble semi-annually. () Callable on 8/2/92 at 101½% declining ½% semi-annually. () Put option 31/3/94 at 102½% to yield 7.003%. () Fungible with outstanding FM2/00m issue issueched Juty 1. ment banking, in spite of weakness in mergers and acquisitions and in its real estate advisory business.

Repo traders fight their corner

Sara Webb on pressure at the Bank to loosen bond repurchase rules

he bond lending, or repurchase (repo), busi-ness has boomed in the UK in recent years, but some of the traders involved fear that further growth may be curtailed by Bank of England restrictions.

The repo business is well developed in the US, and has expanded outside America, mainly in London. The growth is due to the fact that the owners of large bond portfolios have found they can improve the return on their securities by lending them to traders who need particular bond issues. "It's a way of enhancing the yield on otherwise idle bonds," says Ms Una van Dorssen, of Kidder Peabody Securities. And as more institutions become aware of their ability to increase the return on their bond portfolios, more are turn-

ing to the repo market.

Mr Donal Magrath of United
Bank of Kuwait (UBK) says: We have about \$2bn of funds under management, of which about 80 per cent are bonds such as US Treasuries. We aim to enhance the return on the portfolio by lending these out." Previously, UBK's custodian lent the bonds out on UBK's behalf. However, UBK felt that by lending out the bond portfolio direct, using the repo mar-kets in London and New York, it could cover the custodian's

charge and still increase the return passed on to clients. Many UK institutions are still cautious about lending out their portfolios, according to Mr Peter Bass, director at S.G.



Ian Plenderleith: 'no need to re-invent the wheel'

some UK lenders, but the majority are either from the continent or from the US,"
says Mr Mark Mazzonelli, of
Merrill Lynch, who advises clients on which parts of their
portfolios can be lent out. Strong demand from traders to borrow certain bonds has also helped boost the repo market. Mr Mark Williams, of Goldman Sachs, points out that the driving force for the repo market in London arose from arbitrage opportunities between the cash and the futures markets.

Traders who "go short", that is who agree to sell a bond which they do not already own, use a repo broker to borrow the bond in question. The most commonly borrowed bonds are German bunds, Ecu bonds and French government

The problem is that while

traders can borrow bonds from these markets easily, they are restricted when it comes to UK government bonds. With gilts, a lender and a borrower cannot simply match their requirements through a broker as they can for other activelytraded government bonds. Instead, the bond-lender has to use a stock exchange money broker, who lends the stock to a gilt-edged market maker.

It's a restriction - it means that if I am short and I know someone who owns the gilts, I cannot borrow the gilts from them, I have to go through a money broker instead. With any other government bond I can just arrange it with some one I know who has the stock." says Ms Katherine Bennett, of Salomon Brothers, which is a gilt-edged market maker.

r Danny Corrigan of Bear Stearns main-tains that the advantage of a repo market in glits is that it would "add liquidity and attract more traders". Bear Steams is not a gilt-edged mar-ketmaker and, therefore, can-not conduct gilt repo business. A couple of months ago, the London Clearing House (LCH) approached the Bank of England to see whether it would lift restrictions to allow a repo market in gilts, with the LCH acting as clearing house

for the transactions.
"A repo market in gilts would help the gilts futures contract on Liffe (the London International Financial Futures Exchange), because by allowing a trader to go short, it opens up a range of strategies

which can be used with futures, says the ICH. "When it comes to trading strategies, it is very restrictive if you can only buy the cash market and sell the futures. Those who want to be able to sell the cash market and buy the futures cannot because they are unable to go short."
However, the Bank of

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Section 1

PROPAL

graine falls

England has so far refused to countenance lifting the restrictions, preferring to keep a close eye on the lending of gilt-edged stock. Mr Ian Plenderleith, associate director responsible for markets, and chairman of the stock borrowing and lending committee, wrote in the Bank of England's May 1991 Quarterly Bulletin: "The Bank attached importance to the development of an efficient and competitive market in stock lending to meet the needs of the gilt-edged marketmakers. It was concerned, however, that the market should operate within an appropriate regulatory framework in order to avoid problems such as had emerged outside the UK." In particular, the Bank was worried that there might be a repeat of the Drysdale Securities scandal in the US. Drys-dale, a government securities dealer, collapsed in 1982 owing

interest due on government securities which it had bor-rowed from Chase Manhattan The Bank rejects complaints and says it is satisfied with the way gilt lending works at present. "We see no need to re-invent the wheel," says Mr Flenderleith.

Star Micronics issues \$150m convertible

computer printer manufac-turer, launched a \$150m convertible bond, the first dollardenominated convertible bond to be issued by a Japanese corporate borrower in over a year,

writes Sara Webb. However, the price of the convertible bond fell from a launch price of par to trade at between 97.5 and 98 by late afternoon. Daiwa Europe, the lead manager for the issue, said the recent poor stock marpartly to blame for the fall. The seven-year convertible bond carries a 4 per cent cou-

pon and has an indicated conversion premium of 2.5 per cent. One syndicate manager pointed out that the coupon was "on the low side" and suggested that one of 4.5 to 4.75

INTERNATIONAL **EQUITY ISSUES**

per cent would have made the issue more attractive. Traders said the advantage of issuing a convertible bond rather than an equity warrant was that holders of convertible bonds may be more likely to convert into the company's equity early. They said this could be an advantage for a company wanting to raise equity, given the temporary ban on new equity issuance in Japan. Star Micronics' convertible bond is callable after February 28 1994, and puttable after August 31 1995.

The last Japanese dollar convertible bond was issued in January 1990 by Daiwa, the Japanese bank. Star Micronics last issued a convertible bond in 1984. Elsewhere, Aachener Und

LONDON TRADED OPTIONS

insurance group, is floating its life insurance subsidiary -Aachener Und Munchener Lebensversicherung (AML).

AMB owns 100 per cent of AML, but is selling 25 per cent of the life insurance company for about DM480m. The initial public offering (IPO) will con-sist of 300,000 bearer shares, at about DM1,600 each.

Dresdner Bank, the lead

manager for the IPO, expects a quarter of the shares to be sold to non-German investors. The shares in AML will be listed on Munchener Beteiligungs the Berlin, Dusseldorf a (AMB), the large German Frankfurt stock exchanges. the Berlin, Dusseldorf and

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

EQUITY GROUPS		Taes	day Ju	ly 23	1991		Mon Jul 22	Fri Jul 19	The Jud 18	Year ago (approx
& SUB-SECTIONS	-	Γ_	Est	Gross Div.	Est. P/E			17	-48-	tales w
Figures in parentheses show number of stocks per section	ladex No.	Oay's Change %	Earnings Yield% (Max.)	Yield% (Act at (25%)	Ratio (Net)	ad adj. 1991 to date	index . No.	index No.	index No.	index No.
1 CAPITAL GOODS (184)	830.40		10.43	5.81	11.82	22.20	816.28	813.65	815.11	879.9
2 Building Materials (24)	[1066.93	+2.6	9.10		13.92	30.76	1039.81	1034.93	1035.04	
3 Contracting, Construction (31) 4 Electricals (10)	[1154.83	+1.1 +2.5	9.52 10.52	6.76 5.49	13.88 12.10	31.97 61.85	1142.79 2381.15		1146.57 2387.22	
5 Electronics (25)	1401 25 1401 25	+13	8.93		14.89	46.44		2372.96 1675.36	1696.71	
5 Electronics (25)	416.54	-0.1	16.43	6.02	7.31	12.11	417.11	414.17	412.43	4621
7 Engineering-General (46)	1 450.19	+1.4	12.24	5.60	10,00	11.82	444.04	442.71	440,47	490.8
8 Metals and Metal Forming (8)	448.86	+1.7	15.72		7.81	16.70	441.14	442.08	438.27	494.0
9 Motors (12)			12.04	7.37	9.79	9.98	318.14	316.10	319.45	351.2
i) Other Industrial Materials (20) L CONSUMER GROUP (187)	15.707.30 די ונאון 15.707 די	+1.7 +1.2	8.77 7.64	5.06 3.59	13.40 16.13	34.85 24.21	1563.03 1502.68	1955.20 1490.97	1556.79 1491.38	1590.9 1309.6
2 Brewers and Distillers (22)	1848 32	+1.6	8.32	3.59	14.65		1819.58	1812.41	1824.14	
5 Food Manufacturing (19)	11199.35	+1.4	9.57	4.12	12.90	24.43	1182.27	1172.70	1170.20	1098.0
Food Retailing (17)	2731.49		7.89	3.07	16.58	39.61		2734.52	2738.66	2591.0
Health and Household (22)	3669.89		5.19	2.35	22.04	30.86	3670.27	3641.49	3624.89	2562.5
Hotels and Leisure (23)	1263.55	+2.4 +2.1	10.06 8.13	5.49 4.89	11.85 16.00	30.99 36.17		1219 <i>2</i> 7 1403.88	1224.12 1402.20	1443,6 0.0
Packaging, Paper & Printing (17)	785 74	+20	7.54	4.42	16.00	I4.33	731.08	725.66	724.76	608.8
4 Stores (32)	. 974.05	12.7	7.90	3.82	16.52	17.06	948.84	929.81	931.95	819.4
5 Textiles (9)	569.09	+L9	8.81	5.45	14,10	13.79	558.75	558.83	554.72	491.6
OTHER GROUPS (109)		+1.0	9.94	5.14	12.40		1240.02	1232.88	1231.78	1168.3
Business Services (12)	[1303.48	+1_4 +0_4	8.28	5.00 5.13	14.94	29_13 32_92	1285.26 1400.46	1277.73 1397.28	1276.53 1402 32	0.0 1278.7
3 Conglomerates (10)	1476.74	+1.2	8.00 ⁻ 10.11	7.14	11.95		1458.53		1432.68	1635.0
4 Transport (13)	b192 27	+1.0	8.63	4.86	14.37	48.98	2170.82	2164.09	2157.35	2346.9
5{ Flectricity (3.6)	. Ji 220.70	+6.4	14.15	5.32	9.03	18.41	1216.42	1215.70		0.0
b) Telephone Networks(4)	1489.17	+2.2	9.96	4.09	13.13	5.58	1457.16	1445.97	1462.59	
7 Water(1,0)		+1.1	16.63	6.25 4.83	6.65 21.42	118.37 47.89	2434,21 2007,85	2432.87 1986.61	2371.93 1985.47	1955,0 1778.0
9 INDUSTRIAL GROUP (480)		+1.3	6.06	4.52	13.82	24.03	1251.23	1243.39		1170.2
2 Oil & Gas (20)	2509,42	+0.4	8,92 10,81	4.32 5.45	12.17	50.59	2500.20			2407.5
	1371.71									1273.2
9 500 SHARE INDEX (500)		+1.1	9.17	4,64	13.58	26,28	1356.31 794.15	1347.65 793.19	792.58	206 S
2 Banks (9)	801.72 925.68	+1.0	6,47	5.90 5.98	23.39	20.81 22.63	916.00	915.22	712.70 915.58	856.3
5 Insurance (Life) (7)		#13	•.~/	5.48	22.29	41.64	1490.76		1478.66	1512.7
6] Insurance (Composite) (6)	657.50	+0.9	-	6.66	-	20.23	651.64	648,96	650.46	682,4
7 Insurance (Brokers) (8)	1190.24	+0.4	6.55	5.69	19.78	30.61	1185.47		1164.36	957.4
Merchant Banks (7)		+0.3	-	4.93	- 1	11.00	424.11	423.35	424.18	437.6
Property (37)		+1.6	6.19	5.09	23.19	19.84	889.21	889.02		1105.8
Other Financial (20)		-15	11.43	7,19	10.94	7.80	254.64	256.87	258.43	289,6
Investment Trusts (70)		+1.1	_=	3,46	_=-	19.41				<u>1216.9.</u>
ALL-SHARE INDEX (664)	1234.10	+1.1		4.77		24.65	1220.52	1213.66	1214.62	1160.91
	Index	Day's	Day's	Day's	JEL T	Jul	Jul	Jai	14	Year
,	Mo.	Change	Hote (a)	Low (b)	22	19	18	17	16	200

F	FIXED INTEREST						AVERAGE GROSS REDEMPTION YIELDS	Tue Jul 23	Mon Jul 22	Year ago (approx.
PRICE INDICES	Tite Jul 23	Day's change %	Mon Jul 22	Accrued Interest	xti adj. 1991 to date		British Government Low 5 years	9.07 9.92	9.10 9.88 9.88	10.71 10.70 10.70
British Covernment Up to 5 years (29), 5-15 years (27) Over 15 years (9), Irredeemables (6) 5 All stocks (71).	120.85 131.10 138.72 151.70	~0.07 ~0.30 ~0.42	139.14 152.33	2.01 2.82	7,77 6,44 7,34	4 5 6 7 8 9	(0%-74%) 20 years. Mediam 5 years. Cospons 15 years. (8%-104%) 20 years. High 5 years. (11%-1) 20 years. Integral bloom 15 years.	10.27 10.11 10.05 10.44 10.24 10.14 10.12	10.26 10.07 10.00 10.44 10.20 10.09	11.98 11.19 10.85 12.07 11.43 11.08 10.76
Index-United 6 Up to 5 years (10) 7 Over 5 years (10) 8 All stocks (11). 9 Bels & Leans (56)	. 144.99 . 145.99	-0.34 -0.33		0.65 0.47 0.48 2.77	2.72 2.76 2.76 5.33	12 14 15	inflation rate 5% Up to 5yrs. inflation rate 5% Over 5 yrs. inflation rate 10% Over 5 yrs. inflation rate 10% 5 years Beks & 5 years 15 years 15 years	4.42 4.37 3.45 4,17 11.89 11.68 11.47	4.44 4.34 3.46 4.15 11.62 11.62	5.38 4.34 4.22 4.15 13.64 12.78 12.50

LONDON RECENT ISSUES EQUITIES FIXED INTEREST STOCKS Issue Price £ Amores Pald up 107p 1101, 102 28p 1031, 1031, 1054 1035 +1 102 +1 280 +1 999 +1 1005 +15 RIGHTS OFFERS Amoun Paid Up Clesing Price p 18pm (42pm 15pm 4pm 4pm 7pm 4pm 7pm 14pm 7pm 14pm 64pm 31pm 54pm TRADITIONAL OPTIONS First Dealings
 Last Dealings
 Last Declaration July 22 Aug. 2 Oct. 24 Nov. 4 erad, ASDA, Barrat Devs., Brent Walker, Burion, Holmes Protection, Markheath

Alid Lyons (*571) 750 12 45 62½ 1¼ 17½ 24½ 800 ½ 19 37½ 38½ 43½ 50½ 240 25 29½ 36½ 3 6 260 11 17 24 9 12½ 144 70 65½ 97½ ¼ 3½ 6¼ 21 45½ 62½ ¾ 14½ 20½ ½ 21 34½ 30 37½ 44½ 140 81, 121, 141, 41, 51, 71, 160 2 4 64, 16 18 20 140 17% 24 25 14, 4% 7 160 5% 12 14% 7% 12 15% 550 37 50½ 67½ 5¼ 15½ 20 600 9 25¼ 40 27½ 38½ 43 390 244 345 395 5 114 155 420 7 19 355 205 255 325 260 - 31 40 - 31 51 260 9179 25 71012129 Sep Dec Mar Sep Dec Mar 260 16 21 26½ 6¼ 8 10 280 5 11 16 17½ 18½ 20½

The FT-Actuaries Share Indices Service FINSTAT, the Financial Times Statistics Service, offers a unique

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UK COMPANY NEWS

P&P halved after stock write-off

WEDNESDAY JULY NA

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P&P, THE COMPUTER services company, saw pre-tax profit haived in the six months to May 31 as the value of sales fell in its personal computer distribution arm in a period of

sharp price cuts.

The taxable figure of £3.3m
(£6.8m) included a £2m exceptional stock write-off as the company discontinued lines from some manufacturers.
Turnover rose to 2120.7m (£109.4m). Half the rise came from a Swedish acquisition.

Mr David Southworth, managing director, said personal

Mr David Southworth, man-laging director, said personal computer makers had cut prices by between 25 and 40 per cent in their battle for market abare. The group's distribution division saw turnover decline from about £50m to £41m, even though it sold more "boxes". P&P had assessed which manufacturers it wanted to

stay with, on the basis of their long-term prospects and the potential for a partnership to provide corporate customers with a service as well as produced. ucts. Ten manufacturers had been dropped and their lines discontinued, hence the stock write-down.

Offsetting the distribution shortfall was a turnover increase of more than 25 per cent to £51m in the corporate division. This includes network installation, maintenance and training.

Operating profit fell 34 per cent to £5.4m (£8.2m). Mr Southworth said margins had been eroded by the increase in the number of people taken on to provide services. The workforce had risen by nearly 200 to 890 in the past 18 months. Sales in continental Europe, mainly Belgium and Sweden,

rose to £20.1m. Non-UK sales were negligible two years ago. The balance sheet remained strong after a £36.7m rights issue last July. This had wheel out debt of £20m. At the November year-end, £4.5m cash had been held. By May 31, after £4.8m of acquisitions, debt was £1.5m, gearing of 2.7 per cent.
Fully diluted earnings,
affected by the 3-for-8 issue, fell

idend is raised to 1.33p (1.25p). COMMENT

With talk of a bloodbath still rife in the computer distribu-tion sector, P&P is doing better than most. This must provide some comfort for shareholders who took up last year's rights issue at 185p, when the market price was 228p - compared with yesterday's close of 83p. With the balance sheet still

strong, the company is well placed to move out of reces-sion. Apart from the fact that enough computer dealers have probably gone bust to help stapropactly gone oust to help sta-bilise the market, the group's corporate division has locked into two long-term trends: the growth in both personal com-

puter networking and third party management of facilities.
The management does, however, still has some points to prove will the service people it has recruited prove good enough? Will it be able to get enstowers to kick the credit customers to kick the credit habit and reduce its near £50m of debtors? For the full year, assuming limited deterioration in trade and no more exceptional costs, a pre-tax profit of spective multiple of 10 looks undemanding and the price is supported by a 7 per cent yield.

at 27 per cent in excess of the December 1990 valuation.

7.25p (7.26p) per share.
The directors believed, tak-

ing all factors into account,

that a modest improvement in

earnings would be achieved

raised to 4.5p (4.1p).

Net profit in the period was

Temple Bar asset value picks up realised its largest property, located in London's West End,

Over the six months ended June 30 1991, net asset value at Temple Bar Investment Trust rose by 11 per cent, from 250.6p

Twelve months earlier it stood at 299.75p. Sir Roland Smith, chairman, lescribed that as a satisfactory performance taking into account the impact of the properties and cash in the port-

Temple Bar Properties had

submits to improved bid by Heywood By Andrew Boiger

Thurgar

THE BOARD of Thurgar Bardez agreed to recommend an increased offer worth £9.2m for the manufacturer of windows, doors and other plastic products, from Heywood Williams, the UK's largest glass distributor

Heywood launched an £8.6m hostile offer for Thurgar on July 6, saying it had irrevocable acceptances for the 17.7 per cent stake owned by the Nye family trusts of which Mr Cliff Nye, Thurgar's chief executive, was a director. Thurgar later suspended Mr Nye as chief executive and dis-

missed him. Heywood said it had made no decisions or promises regarding Mr Nye or any other board members. Heywood's increased offer is one new share plus 180p in cash for every 10 Thurgar Barshares. dex Heywood shares closed 3p higher at 257p, valuing Thur-gar shares at 43.7p. They were

£4.17m (£4.18m) for earnings of unchanged at 43p. Mr Peter Johnson, chairman of Thurgar, said having now reviewed and explored the alternatives, the board had concluded that it would not be over the full year.

The interim dividend is in the interests of shareholders and employees to prolong the uncertainty over its future.

Southend Property halved but earnings doubled by tax credit

SOUTHEND Property, which recently failed in its hostile £139m bid for Frogmore Estates – a rival property group, yesterday reported a 52 per cent fall from £6.44m to £3.12m in taxable profits for the year to March 31.

A one-off tax credit of £3.41m kept after-tax profits moving ahead, however, and contrib-uted to a doubling to 6.37p (3.19p) in earnings per share. The credit arose mainly from accumulated claims on capital allowances.

The company described the performance as "highly satisfactory" and expressed the belief that the property market was "at or close to the bottom of the cycle".

Mr Malcolm Dagul, chairman and chief executive, said that Southend was "looking at dif-ferent ways of pursuing" its

interest in Frogmore, in which it retains a 10 per cent stake.

Net interest payable during
the year was £15.3m (£14.2m)
and year-end gearing was 123 per cent. The group's net as value per share was 141p on a fully-diluted basis - a reduc-

tion of 18 per cent. The company said that Hamlet International, its men's clothing subsidiary, performed better than last year, while Mt Martin Gold Mines did margin-

ally worse.
This was in spite of a tripling to £35.06m (£11.11m) in the group's mining sales. "Because of fluctuations in the gold price, there were opportunities to reorganise our for-ward sales book at better sales

levels," Mr Dagul explained.
An increased final dividend
of 2.48p (2.25p) was recommended, making a total of 3.8p

(3.45p). The shares were

• COMMENT

As the lack of share movement suggested, these figures were in line with expectations -hardly surprising in the light of the group's information dis-closures during the Frogmore bid, launched immediately after its financial year-end. Analysts are now looking for pre-tax profits of about £5m for the current year. Earnings per share will almost certainly be down though as the tax rate reverts to what Mr Dagul describes as "more normal" levels. The share price's 40 per cent discount to net asset value must look tempting to those who concur with the company's relatively positive view of the property market's

Whitbread beer sales fall as taxes rise

saw The

Trading Service

A SHARP decline in beer consumption over the past few months had been the result in part of budget tax increases, Mr Sam Whitbread, chairman of Whitbread, said at the annual meeting yesterday.
The rises in VAT and excise

duty had lifted the price of financial year. some beers by 5p to 7p a pint, compared with the chancellor's forecast of 2p, and had been "a nasty shock" to customers. But Mr Whitbread was opti-

mistic that trading would improve towards the end of the

"We are trading well against competitors in most of our businesses and picking up market share", he claimed. "But we have lost some business in the take-home trade as consumers have traded down.

London and Manchester ahead of industry average By Richard Lapper

LONDON and Manchester, the Exeter-based life insurer and financial services group, has announced new business figures for the six months to June 30, expected to be ahead of the industry average. New annual premiums

increased by 7 per cent to reach £25.lm. Single premiums rose by 15 per cent to 233.9m, following

Abtrust Scotland asset value falls

strong second quarter sales

Abtrust Scotland saw a decrease in its net asset value over the year to May 31, down from 34.5p to 30.6p per

Rowever, earnings per share came out at 0.75p (0.5p) and the board is recommending an increased dividend for the year of 0.55p (0.45p).

Revenue before taxation was up at £269,000 (£141,000) and

tax took £46,000 against £34,000. Assets stood at £10.3m (£7.41m). Abtrust Scotland Investo Company is one of a stable of 10 investment trusts managed by Abtrust Fund Managers, an

arm of the Aberdeen Trust

AB Consultants declines to £1m

A strong performance by the the group's home service oper-ation fuelled growth with sales

of annual premiums from that source up 17 per cent at £8.2m.

sales rose by 8 per cent to reach £12.3m.

The corporate pensions mar-

ket remained difficult with

new annual premiums down 11

The group's broker division's

In the wake of the recession in the construction industry, Associated British Consultants has seen its pre-tax profit slump from £2.47m to £1.14m in the year ended April 30 1991. But Mr Peter Welch, chair-

man, said the group continued to generate cash and gain market share, and in the core business of structural engine

dancy costs have been charged to profit. Earnings per share

CONTRACTS & TENDERS

THE REPUBLIC OF YEMEN MINISTRY OF ELECTRICITY AND WATER ADVERTISEMENT FOR ISSUE OF TENDERS

Arresto, P.O. Box 2310. Jordan starting from 22/7/1991 against a non ref

Rids for any of the above Tenders are to be submitted in the Offices of Yomen General

LEGAL NOTICES

IN-FORM GROUP PLC

at the meeting. Other Creditors are only entitled to vote It-

CLUBS

consultancy activity levels appeared to have stabilised. Turnover in the year was

dropped to 9.5p (20.7p); the final dividend is 4.2p for a

FOR TAIZ-ADEN POWER LINK PROJECT

Substations Tender: for supply, exection and putting into service of 132/33kv Substation in As-Rabidah, 132/33/11kV Substation in Habilays, 132kV Substation in Nobet Dukin, two 33/11kV Substations in As-Tutched and Dhala and extension of the two existing 132/33kV Substations in Teiz and Hiswa.

Distribution Networks Teader: for supply, exection and putting into service of about 240km of Medium Voltage 33 and 11kV Overhead Linos, 235 Substations 33/0.4kV and 11/0.4kV,400km of Low Voltage 0.4kV Lines and about 14000 Consumer Connections in 253 Villages in As-Rabideh and Al-Turbelt Districts.

Tenderers willing to participate in any of the above mentioned Tenders, can obtain the Tender Doctments which consist of four Volumes and Addendum for Tendersiation Lines Tender, six Volumes and Addendum for Substations Tender and three Volumes for Distribution Tender, from the Main Offices of Jordan Electricity Authority in

NOTICE IS HEREBY GIVEN, pursuant to Section 45 (2) of the Insolvency Act 1966, that a Meeting of unsecured creditors of the above named company will be held at: 115 New London Read, Clatemators, Essex CAZ OCT. at 10:30 a.m. on Tuesday 6 August 1991 for the burners of

a) having taid before it a copy of the Report prepared by the Administrative Receivers under Section 48 of the said Axt and, b) it brought fit, appointing a Creditora Com-

(i) they have delivered to me at 115 New London Road Chefmelord, Essex, CM2 Q07, no later than 1200 hours on 5 August 1981, writen deaths of the debts they claim to be due from the Company, and their Celaims have been duly admitted under the provisions of Paide 3.11(1) of the Insolvency Ruise 1986; and (ii) there has been lodged with me any proxy which the creditor intends to be seed on his behalf.

A.S. ALLEYNE FCA
- JOINT ADMINISTRATIVE RECEIVER

PERSONAL

PUBLIC SPEAKERS Training and speechwrit-ing by award winning speaker. First lesson free, Tel:(0727) 821389

£11.8m (£12.6m) and operating profit £854,000 (£2.12m). Redun-

As the Government of the Republic of Yemen has obtained a loan from the Amb Paud for Homenic and Social Development for Financing of Taize-Adon Power Link Project.
Youren General Electricity Corporation and Public Corporation of Electric Power in
the Republic of Yuman announce the issue of the following Tendens for Trist-Adea
Power Link Project.

Transmission Lines Tender: for supply, excetion and putting into service of 132kV
Double Circuit Overhead Transmission Lines form Tain to Ar-Rabidah, ArRabidah to Ar-Turbuh, Ar-Rabidah to Hisves in Adea passing through Nobel Dukim
and from Nobel Dukim to Habilaym of total length of about 21 flors of fine route,
and 33kv Double Circuit Overhead Lines from Habilaym to Dhala of total length of

Local Teadarms in the Republic of Yemen who are willing to participate in any of these Tenders are required to submit with their Tenders the necessary documents proving their compliance with local laws and regulations. Rechiefty Corposition in Sans's not later than 12.00 moon on Monday 21/10/1991 accompanied with bid bands as specified in the Tender Documents and any Tender not including these bands or received after closing time shall not be considered.

Appointments

Advertising

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for further

information

please call

Teresa Keane

071-873 3199

Richard Jones

071-873 3460

071-873 5632

FINANCIALTIMES

"Anyone can make a mistake..."

I know I said 'never again', but the way in which my friend enthused about The Trading Service (TTS) after he had seen it a few weeks ago I realised I had been a little quick to say 'never again'. After all, to err is only human.

In fact, mistakes and errors are all too familiar in the TTS story. On the one hand, I have been getting more and more frustrated with my current FX dealing system; mistakes have become very expensive in penalty interest, errors and omissions and overdue exposure. And that is an area where TTS really scores these days. The TTS fixed format dealing system actually guarantees 100% accuracy with a mirror-image deal ticket produced automatically at both ends of the deal, confirming all the details of the

On the other hand, it was refreshing to hear the Telerate man admitting that it has taken them a long time to get this product right and that no-one was pretending that it had been anything like perfect from day one.

One area where they have actually proven the value of TTS is that every deal is automatically captured and can be fed directly into your position keeping and back office

Unique and brilliant! Literally, no more expensive

Greame mistakes. It could save our bank a fortune. LoveLuck -**Edwards**

"What do you mean, That was it.'?"

The privately owned x25 digital network that TTS runs on not only makes it 100% accurate, it also makes it very fast. It took less than a second to have the call connected to a bank in Japan. I know it's a bit cliché to say 'time is money' but it's never been demonstrated so effectively to me before. And the Telerate man seemed so keen to make the demonstration relevant to my situation - not his.

It's good, but...

I had four separate dealing 'conversations' going on at the same time, intermixing keyboard talking - to keep the whole thing friendly - with the Fixed Format dealing mode. I really found my way around the 'slate' thing, too, and that was after only using it for a few minutes - it wasn't just the fastest dealing tool I've seen, it was also blindingly simple. The Telerate man even let slip that there is soon to be a version which doesn't require a 'slate' and that the new 'talk' facility could now be routed through my own keyboard with the display coming up on an existing screen through my switching system.

"I don't want to be alone in this..."

All this was very impressive, but I was nervous of the 'Alexander Graham Bell' syndrome. You know that cartoon where Bell's looking really pleased with himself as he eyes up his invention - the world's first telephone - and his wife pipes up helpfully, "great, really clever - so, who are you going to call?" I mean, who out there is actually using TTS is there any liquidity? As the Telerate man agreed, it is all very well quoting names of banks who have either taken in or committed to a particular trading system - Telerate had to do that as much as anyone else in the past. It is another thing altogether to demonstrate true liquidity - actual usage. He was being very tactful, but I think he was underlining my assumption that people were waiting for everyone else to use the system before they'd be able to get prices. Suffice it to say there are literally hundreds of traders now using it every day all around the world in every currency pair that I

So I left that demonstration as a convert. There's no doubt about it, TTS really is a different product these days. So now I have to convert my colleagues, too. Do you realise, if we brought in 3 of these TTS positions it would

"I'll never say never again. But can we afford it?"

actually be cheaper than keeping a couple of the inferior set ups that we have now? That's my kind of deal... But that means convincing others like me; people whose ears are firmly closed to any talk of TTS.

A sizeable but. I'll let you know how I get on tomorrow.

TELERATE

Dow Jones Global Information

IN EUROPE, TTS ENQUIRIES SHOULD BE MADE TO: BELGIUM Rudy Ostlender 32 2 772 1000 • DENMARK Claus Bisgaard 45 33 223 266 • FINLAND Matti Laamanen 358 0694 4883 • FRANCE Coles Truong 33 14 289 0509 GERMANY Steffan Kuppers 49 69 153 020 • IRELAND David Tate 353 1 764 600 • LUXEMBOURG Hans Hendriks 352 461 256 • NETHERLANDS Jan de Roeck 31 20 260 912 NORWAY David Chartier 472 421 943 • SWEDEN Fred Noren 46 8 676 9200 • SWITZERLAND Monica Baettig 41 1 271 1411 • UK Denise Grist 44 71 583 0044

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Home Loans' liquidity problem is a lesson that the US savings and loan industry learned all too well; short-term borrowings are a risky way to finance

What prompted NHL to seek a loan from its bankers was the sudden threat that its large pool of short-term funds from local authorities would dry up. The flight to quality in the face of losses by authorities at BCCI has threatened the mortgage lender's largest single source of short-term borrowings, forcing it to cast about to quickly replace the loans with a

long-term committed facility. The nation's biggest mort-gage lenders, the building societies, also rely on retail deposits for financing. But their broad deposit bases and strong customer loyalty make them much less vulnerable borrow-

Mortgage industry officials yesterday said that NHL was unusual in its reliance on such a volatile source of funds. It is the only one of the major mort-gage lenders to own a banking subsidiary and the only one eligible to attract short-term retail deposits. One of the company's smaller mortgage business competitors, First National Finance Corp, announced to shareholders ye terday that less than £4m of its £1.5bn in loans were short-term and less than £2m of that came from local authorities.

When specialist mortgage lenders first arrived on the UK

AT THE heart of National they touted their plans to finance themselves by literally re-selling mortgages to investors, thus relieving the need to finance them via either deposits or bank borrowings.

But while some £3.5bn in UK mortgage-backed securities is currently outstanding in the markets, it has been a more successful strategy for some lenders than others. NHL. for instance, has securitised about two-thirds of the £4bn in assets it currently has outstanding. Mr Kevin Milner, chief executive, declined to say how much of the £1.8bn in liabilities were short-term.

But even if NHL's circumstances are unique, news of its liquidity problem sent shivers through the mortgage lending industry. "Securitisation is still in its infancy and investors don't like to buy problems," said an official at one compet-

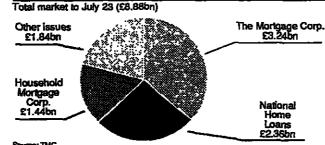
ing firm.
Officials at NHL's two largest competitors, Household Mortgage Corp and Salomon Brothers' The Mortgage Corp, say that their financing strategy has focused on securitising the assets they have and trying to match assets and liabilities.

"The problem with retail deposits is that they can go away," said Mr Robert Weir, executive director of HMC. About 80 per cent of the com-pany's book is financed in the bond markets via mortgagebacked securities, with the remainder covered by commit-ted bank facilities from which lenders have more difficulty



Kevin Milner: outside the London offices of NHL yesterday following the announcement of a lifeboat

UK mortgage-backed issues



Mortgage-backed securities market stable

PRICES IN the sterling mortgage-backed securities market were stable, after confidence in the sector took a knock when National Home Loans, the second largest issuer in the sector, had to seek help from banks to overcome potential liquidity prob-

Prices in outstanding NHL deals were little changed, partly because the sector had

Dealers said they had received inquiries from clients, but most were satisfied that the structure of the securities isolated them from any problems facing the company. However, NHL may have to

expand quickly. Securitisation allows issuers

pay interest at a higher margin over the London Interbank Offered Rate next time it taps the market, some dealers said. The £10bn sterling mortgage-

quickly during the housing boom of the late 1980s, as the securitisation process helped specialist mortgage lenders to

to remove mortgages from their balance sheets, repackage them as mortgage-backed bonds and sell them to inves-

The credit rating downgrade yesterday of The Mortgage Cor-poration's bonds also damp-

ened sentiment in the market The sector hit a low point early this year, when the Bank of England announced that to meet EC requirements banks might have to increase the amount of capital held against mortgage-backed securifies from 1993. The market, already depressed by the impact of economic recession on the mort-gage market, fell back further, but has recovered substantial ground in recent months.

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Councils take more cautious approach

NATIONAL HOME Loans, a UK specialist mortgage lender which relied on funding from which relied on fithing home local authorities, is paying the price of councils' more cau-tious approach to money mar-ket investments, following the closure of BCCI, writes Tracy

It is one of many smaller financial institutions which

"WHAT HAPPENS to me if my mortgage lender goes bust?" The question must have flashed through many people's minds on hearing yesterday's news that the clearing banks have organised a lifeboat for the National Home Loans

Corporation.

The short answer is that you could find the

interest rate on your mortgage sticking well above market average, but otherwise you should

Unlike overdraft lending, mortgages have a fixed term and the lender cannot normally call

for early repayment unless the borrower

defaults on the agreement.

The new-style mortgage lenders like National Home Loans, who fund from the commercial

money markets and sell their mortgages

through insurance companies rather than via branch networks are less than ten years old in

Unlike banks and building societies many of

By David Barchard

not be greatly affected.

local authorities no longer view as sufficiently credit-worthy. Most councils say that in the wake of BCCI, they will place deposits only with UK clearing banks and the top 10 or 20 building societies. This exposes an array of other financial institutions, such as merchant banks and smaller building societies, to a run on

What happens when a lender goes bust

money at a time when credit is in short supply.

Since the early 80's many ernment bonds and bills, other

Since the early 80's many councils have shifted from borrowing to lending, as they have become increasingly cash-rich from the proceeds of council house sales.

There are only four main areas where councils can invest, according to Mr Ian

them are not regulated by the Bank of England

But despite their relative novelty in the market, the housing depression has already claimed several casualties.

Unsuccessful mortgage companies attempt to sell their mortgage book to another lender.

This means that the new lender will adminis-

This means that the new lender will administer the mortgage and almost certainly set the price for it. Some troubled lenders have not been sold and simply run down their mortgage books. In this case, a lender has no incentive to keep interest rates low so usually gently encourages customers to leave by keeping rates high. Customers could suffer from staying with a moribund lender if its administration was run

moribund lender if its administration was run down. But so long as they continue to meet their payments on time, they should not be

But they will probably find it cheaper to shift their mortgage to another lender.

because they do not take deposits.

tutions, with maturities usu-ally ranging from overnight to The closure of BCCI, follow-The closure of BCCl, totowing the collapse of Chancery and Eddington Banks earlier this year, has persuaded councils that slightly higher interest rates may not be worth the increased risk involved.

While many councils are

local authorities, and banks and building societies.

Much surplus cash is placed on deposit with financial insti-

drawing up fresh investment policies, in the short-term they are freezing out all but the most mainstream of institu-

Many local authorities say that the current squeeze on liquidity is not likely to last very long, although a more cautious approach may prevail. Mr Derek Edmondson, chief accountant at Harlow, said that there have been days when there has not been sufficient demand from mainstream banks for the council to place its cash surplus. But this may be cold comfort for financial

institutions feeling the pinch

AIM shares recover as bankers waive £2m loan

SHARES IN AIM Group took off yesterday as the aircraft interiors manufacturer announced that the shadow manufacturer hanging over its discontinued property activities had been largely lifted.

The Southampton-based company also reported a marginal decline to £2.29m (£2.48m) in annual profits. All told, the shares - which two years ago reached the glddy heights of 463p — regained 20p to 99p.

Along with its results state-ment, AIM revealed that its ment, Alm revealed that its bankers had waived £2m of a troublesome £3m loan to its property division and agreed that repayment of the balance — which will not bear interest be postponed until 1994.

"It has been a sword of Damocles," said Mr Jeff Smith, chairman and chief executive, two-year-old Seattle subsidreferring to the loan. Previously, the sum had been repayable on demand, he said.

The news stole the spotlight

from the group's decision to cut its final dividend by a sharp 40 per cent to 4p (6.6p), making a total of 5.5p (9p).

"We have massive amounts of expansion to go through and we need every penny," said Mr Smith, explaining the decision. "I simply cannot justify borrowing more to pay a

The group's turnover, bolstered by a strong performance from the key aviation and general engineering division, climbed by 10.5 per cent

iary, which contributed a maiden operating profit. The company has received contract awards for the interiors of two and the McDonnell Douglas MDX helicopter.

ırıng - exi the residual £6m property borrowings - weighed in at 75 per cent, with not debt standing at £13m. This resulted in a sharp increase to £1.44m (£299,000) in annual finance charges.

There was an extraordinary charge pertaining to various diverse items of £167,000 (23.11m). Earnings per share held steady at 11p, compared with 10.8p, thanks to a lower tax charge.

which involves swapping £250m of the £970m owed to them into equity and taking a large part of the interest pay-ments on remaining debt as

Some of the holders of the £101.9m convertible bonds issued by Brent Walker last November met yesterday morning.

investor in the bonds and has been acting to co-ordinate the holders interests, declined to comment on the meeting, although others said it simply updated holders on recent developments.

Brent Walker By Richard Lapper

on refinancing By Maggle Urry

THE FINANCIAL restructuring of Brent Walker took a step closer to being achieved yesterday when only one of the 47 banks in its main syndicate was left outstanding on the new money part of the

The refinancing involves the banks lending £70m of fresh capital, of which £20m has day four lenders, who had reg-ulatory or liquidity problems in putting up new money, were "taken care of" one banker

close to deal

That leaves only one bank, believed to be Banque Worms, yet to agree to put up cash. Brent Walker's shares rose ½p

All 47 banks have agreed in principle to the refinancing,

Hambros Bank, which is an

Equitable Life invests £67m in property

EQUITABLE LIFE Assurance has announced the purchase of properties from Arlington Securities, the property devel-opment arm of British Aero-

It is paying £67m for 17 properties at business parks at Aztec West, Birmingham, and Arlington, Reading. Equitable Life bought other properties at the two parks early in 1990 for over £30m.

According to Mr Colin Win-

ter, the chief surveyor of Equitable, "the new portfolio was an opportunity to acquire more

an opportunity to addite more first class properties."
Apricot Computers, National Rivers Authority, English China Clays, Bull, Mitel and Charles Haswell are among the companies leasing office space at the true sites. at the two sites.

between 8% per cent and 9% would want."

Longer-term property inves-tors ought to be buying "if they can find the right properties", he added.

forms of investment."

per cent look reasonably

attractive compared with other

Equitable now had a prop-erty portfolio worth in excess of £750m. About 58 per cent of Mr Winter believed property is "close to the bottom of the cycle" and "that yields of ably a bit higher than we

Property amounted to about 10 per cent of the insurer's overall investment portfolio.

Mr Patrick Deigman, director of Arlington Securities responsible for business parks,

responsible for business parks, said that since making "a tactical withdrawal from the investment market" last year, Arlington had been "making high level presentations to UK and overseas investors." Further transactions were expected, he added.

First trading values Claremont at £47m

ON ITS first day of trading, Claremont Holdings, formerly the manufacturing arm of Alexon, the retailer, closed down 7p at 163p giving a mar-ket value of £46.5m.

With Alexon shedding 156p to close at 390p, the hoped for increase in the combined value of the stocks was a minimal 7p.
Investors in Alexon received

one share in Claremont, a sup-plier of clothes to Marks and Spencer, for every share held in the original group.

de Zoete Wedd, the house broker, said there had been some shake-out of the Claremont shares, with about 1.3m changing hands of the 28.5m total. Two camps had emerged

Ms Julia Blake, of Barclays profits record.

about the textile company's valuation. Some analysts believed it should only have a single-figure prospective p/e rating, in spite of its strong

On BZW's earnings forecast of 15.4p this year, the shares are on a prospective p/e of 10.6, and a notional historic yield of 5.7 per cent.

Prices for electricity determined for the perpense of the electricity pooling and welderpart arrangements in England and Males.

Recession hits Eliza **Tinsley**

THE recession began to bite in the second half at Eliza Tinsley, the USM-quoted manufac-turer and distributor of hardware products.

The result for the year ended March 31 1991 was a drop of only 1 per cent in turnover to £15.3m (£15.5m) but a decline of 37 per cent in pre-tax profit to £830,000 (£1.32m).
The fall was limited by strict

control of costs. Difficult trading conditions continued into the current year with sales down on what was a good first quarter in 1990-91.

Rliza Tinsley, the main sub-sidiary, increased sales to DIY supermarkets. Grass care prod-ucts of JT Parkes was affected by the dry summer.

Earnings per share fell to 8.02p (11.88p); the final divi-dend is 3.4p for an unchanged 5.2p total.

Cupid profits drop to £411,000

Cupid, USM-quoted maker of bridalwear and nursery and children's care products, saw its pre-tax profit fall from £637,000 to £411,000 in the year

ended March 31 1991. The company doubled its size last December with the acquisition of Pronuptia (UK), the bridalwear retail and franchise operator.

At the time it was expecting profits in line with last year. However, difficulties in completing the share issue led to the loss of a month's sales dur-ing the peak last quarter, the Gulf war affected cargo flights from Taiwan, the main country of supply, and bad weather upset supplies.

per cent to \$6.7m. But overheads brought profits down in that division by 40 per cent to less than £300,000. Pronuptia contributed only two months. Earnings per share fell to 6.5p (15.7p). The dividend is held at 3p on increased capital.

Turnover rose to £9.4m (£7.3m) with bridalwear up 22

The new year started well in existing businesses, although the Pronuptia acquisition and extent of the necessary reorganisation meant that benefits were unlikely to appear before next spring.

Throgmorton **USM** recovers

Some recovery in the performance of the smaller unlisted companies in which it specialises boosted net asset value of Throgmorton USM Trust from 102.7p at the year end to 116.1p at the June 30 interim. although the figure is still down on the 131.7p at the com-

parable half year.

Net income before tax was down from £587,000 to £460,000 as the Trust took a decrease in income to protect its capital value. Earnings per share came out at 1.43p (2.18p).

ML Labs begins final testing

ML Laboratories reported further progress towards the development of its dialysis product during the half year to March 31. In January a clinical trials exemption certificate was obtained allowing the final testing to begin at the end of March.

The company, which moved up from the Third Market to the USM during the period, also said it was continuing to refine its production methods.

For the six months ML's taxable losses increased to £172,000 (£30,000) resulting from lower investment income and higher costs. Tax took £122,000 (£155,000) reflecting a full charge on the interest received until the Inland Revenue agrees that the company has begun to trade allowing its expenses to be offset.

UK Land falls into £966,000 loss

In its interim report, which shows a turnround from a profit of £1.72m to a loss of £966,000, UK Land stressed its survival depended very much on the success of the Nor-thampton Business Park

Mr Colin Tett, chairman, said considerable efforts were being expended which he hoped would result in a letting there before long.

In the six months ended March 31 1991 trading conditions were difficult. Group, net rental income fell, there was a loss (profit) on disposal of properties, and interest charges were higher. Other income,

however, showed an increase. The chairman said all developments were substantially completed and efforts were aimed at letting the properties and identifying new trading opportunities. Properties were being sold to reduce debt, and borrowings, excluding Northampton and Camden Lock, were down to £23.6m.

Interest of £1m in funding Northampton was allocated to the cost of the project. Debtors in respect of Northampton totalled £13.3tn.

Geared Income net asset value at 95.66p

Geared Income Investment Trust, which was launched on April 2, had a net asset value per share of 95.66p at June 30.

Earnings were 1.52p and the trust is paying a maiden quarterly dividend of 1.5p. The first dividend is on target for the forecast gross yield of 16.25p for the year, the trust said.

Murray Smaller net asset value lower

Murray Smaller Markets Trust, managed by Murray Johnstone, had a net asset value of 275.82p at May 31 compared with 282.36p a year earlier.

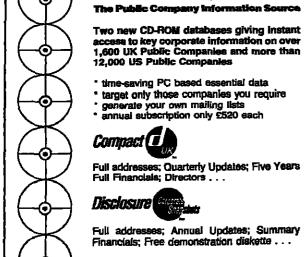
Net revenue for the year rose from 52 from to 52 from the gent.

Pre-tax profits of Duffley Jen-kins, quoted on the USM, fell from £766,000 to £340,000 in the year ended April 30 1991, reflecting the speed, ferority and depth of the recession in the second half.

man, said that the adverse trading candi-tions only materially affected

(£8.5m) and the operating profit to £277,000 (£412,000). There was compensation for fire loss £255,000 (£356,000) less this time £120,000 for an amin-

The dividend is raised to ap ings per share were 3.63p (8.89p), or 4.97p before the uninsured fire loss.



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Disclosure Ltd

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WOOLWICH BUILDING SOCIETY £150,000,000 Floating Rate Notes Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month hereby given that for the three month interest period from (and including) 23rd July 1991 to (but excluding) 23rd October 1991, the Notes will carry an interest rate of [14] per cent. per annum. The relevant interest payment date will be 23rd October 1991. The coupon amount per \$5,000 Note will be \$23rd October 1991. The coupon amount per \$5,000 Note will be \$2,804.11 payable against the surrender of Coupon Not 6. Hambros Bank Limited

Agent Bank

KANSALLIS INTERNATIONAL BANK S.A.

Ect 25,000,000 Subordinated Floating Rata Notes due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months period from July 23, 1991 to January 23, 1992 the notes will carry an interest rate of 10 3/16% (inclusive 3/16% margin).

The coupon amount so calculated will be Ecn 52,069.

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CONTRACTS & TENDERS REPUBLIC OF POLAND

Ministry of Privatisation Invitation to Negotiate

Pollena Nowy Dwor and Pollena Raciborz

As part of the Polish Government's Privatisation programme and in accordance with Art. 23 of the State Enterprises Privatisation act ("Privatisation Act") an invitation is extended by the Minister of Privatisation, acting on behalf of the State Treasury of the Republic of Poland, to interested parties with proven experience in the cosmetics/toiletries/detergents industry to record and thereafter pursue their interest in, or in the business of, two soon to be in corporated joint stock companies, which will own the business and assets of the Polish state owned enterprises:

- Pollena Nowy Dwor

In addition to the proposed sale of a majority stake in these companies to a trade purchaser, the employees of Pollena Nowy Dwor and Pollena Raciborz will be offered shares in the company they work for in accordance with the Privatisation Act.

Pollena Nowy Dwor and Pollena Raciborz are both leading manufacturers of detergents and soaps in Poland. In addition, Pollena Nowy Dwor is the leading Polish manufacturer of Faity acids. This invitation is carried out as part of the privatisation initiative for the Polish cosmetics, toiletnes and detergents sector currently undertaken by the Polish Ministry of Privatisation, which has already led to

the sale of Pollena Bydgoszcs. The Ministry of Privatisation reserves the right to reject offers submitted, or to modify the privatisation procedure, should this be in the interest of the Ministry or the Companies.

Interested parties should record their interest in the above matter by contacting the undermentioned transaction manager whereupon they will be sent a confidentiality letter for execution as a condition precedent to their receiving an information package on Pollena Nowy Dwor and, or Pollena Raciborz. Inquiries concerning the privatisation initiative for Pollsh cosmetics, tolletries and detergents sector should also be addressed to the undermentioned transaction manager: Dr. Bernd Venohr or Fritz Seikowsky or Tuomo Hatakka

Bain & Company

Germany, Inc. Thomas-Wimmer-Ring 3 D-8000 Muenchen 22

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from \$2.03m to £2.87m for earn ings of 5.12p (3.62p). A final dividend of 2.55p (2.2p) is proposed for a 3.75p (8.3p) total:

List broking halts. **Dudley Jenkins**

Mr Tylan Bahcheli, chair-

one company — the list most ing business. The rest of the group traded "as well as anticipated".

Turnover came to £8.5m.

sured loss. (8.8p) with a final of 2.7p. Estin-

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Think-tank advocates incentives

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المعتدد ددارات

vative think-tank, has called for the introduction of an energy tax to be imposed like Value Added Tax on the use of all fossil fuels, in a report published yesterday. The group, headed by Peter Rost, MP for Krewash and a member of the House of Commons energy select committee. mons energy select committee, also called for the removal of VAT on products that enhance

energy conservation. In addition, the UK should set a national target for carbon dioxide emissions to be reduced by 20 per cent below the current level by the year 2005, the report urged. The cur-rent target announced by the UK of stabilising these emissions in that time is "timid and inadequate", the report stated.
In a bid to reduce emissions, the Bow group - which includes MPs, oil and gas industry representatives, aca-

demics and consultants - calls for the promotion of renewable energy sources through grants, soft loans and fiscal incentives.

It specifically mentions the Severi Barrage project in Avon which aims to harness tidal power in a development that could create one seventh of current electricity consump-tion in England and Wales. The report estimates that this would cut UK carbon dioxide emissions by 3 per cent Combined heat and power

Section of the sectio station projects should be given a boost with fiscal and planning incentives, the group urges - only 3 per cent of Brit-ish power station output currently uses the waste heat from power stations' hot water. The report calls for provid-ing the UK's newly privatised regional electricity companies with strong incentives to reduce fuel consumption by being more energy efficient. At the same time it urges more competition in the electricity industry. "We urge the secre-tary of state to make clear his intention that the private sec-tor dispoly of National Power and PowerGen will be broken

up if anti-competitive behav-tiour emerges." **Deborah Hargreaves**

Energy: The New Priorities, the Bow Group, 92 Bishops Bridge Road, London W2 5AB. Price £11.50

ichard Sandor, a director of the Chicago Board of Trade, has a vision of how a free-market approach to global free-market approach to global pollution control should one day work. "Somehow we have to find a way to pay Brazil to put out oxygen and penalise those who suck it up," he says. Taking a step in that direction, the CBOT last week put forth a proposal, in large part masterminded by Sandor, to trade futures in US pollution permits. The proposal is designed to enhance the acid rain reduction programme of the US Environmental Protection Agency. It would also break entirely fresh ground for futures trading.

futures trading.
Under the mandate of the Clean Air Act of 1990, the EPA will issue permits for fossil fuel-powered electricity companies to emit a certain level of sulphur dioxide (SO₂) between 1995 and 2000. The object of the first phase of the two-part programme is to bring 111 targeted "dirty" utilities into compliance with stricter air standards by the turn of the

century.

The plants will be forced to lower their emissions of SO₂, the most harmful ingredient in acid rain, from the high but currently acceptable level of 2.5 pounds/million British thermal units a year to 1.2lbs/mBtu by 2000. During each of the five years before the deadline, the EPA will issue allowances for emissions that correspond to 2.5mBtu times each plant's average use of fossil fuel con-sumed from 1985 to 1987. At least 5.3m allowances, each authorising one tonne of SO₂ emissions, are expected to be allocated each year.

In phase two of the plan, which would affect all utilities, SO₂ emissions would be capped permanently at 8.9m tonnes per year, or 10m tonnes less than in 1980. Allowances would also be allocated for phase two, but never for more than the cap. This would mean that growth would have to be com-

pensated for by cleaner, more efficient energy production. Under the Clean Air Act, these permits can be traded by anyone. While this novel concept is experimental and many of the regulations governing the trading are still to be worked out, the free-market approach is expected to enable power plants to decide what is the most effective way for them to comply with the legis-

According to the EPA's draft of its programme, utilities which reduce their SO2 emissions - by employing, for

Barbara Durr examines the Chicago Board of Trade's proposal for free-market environmental control

Creating a future for pollution

nology, shifting to cleaner burning coal or moving away from fossil fuels - will have allowances to spare and can sell them for financial benefit. Plants that cannot implement

the changes fast enough will need to buy allowances. Alice LeBlanc, a staff economist with the Environmental Defence Fund, a private green group which has helped craft the programme, says: "The neat thing about this is that it gives the polluters themselves a reason to care about cleaning Moreover, she expects that with such a financial incentive "the trading system will encourage polluters to con-

trol more than what is required by law". The CBOT proposes to become the central market-place for the allowances. It intends to start trading in forward contracts in the allowances themselves by 1998. Then it aims to create a market for

allowances.
Les Rosenthal, a director of

the CBOT and a backer of the plan, says that what the exchange offers is its experience in price discovery and the know-how of setting up a mar-ket in what has never been paded

Officials at some utilities companies, however, are sceptical of the proposal. They point out that utilities are heavily regulated monopolis - in order to keep rates low for the public - and as companies they hardly function as free agents in a free market. The fraud-tainted reputation of the futures markets may not

help in this regard. Commu-nity oversight boards and state utilities regulators - not gen-erally known for their financial creativity - may not feel it is prudent as a strategy to trade their allowances or hedge in the markets.

With respect to any company

alcolm Rifkind, the UK transport secretary, has added the concept of tradeable credits to the options which the EC is considering in an effort to curb carbon dioxide emissions from cars.

The idea, however, is already receiving a cool response from the motor industry. While not displaying outright hostility to the concept, companies like Ford suggest that a more broad-ly-based approach to the problem is called for, such as improving traffic infrastructure and

management, and a carbon tax.

Carbon dioxide is the principal "greenhouse" gas responsible for global warming and will be emitted by cars for as long as the latter have internal combustion engines, because CO₂ is an inescapable product of the combustion process. Under Rifkind's proposals, already submitted to the EC Commission, a target average level of fuel economy or CO₂ emissions would be set to which all manufacturers would aspire. A manu-facturer would choose either to achieve the required average miles per gallon (mpg) or CO₂

decision, they are legally obliged to impose what is called a "least cost" plan for the sake of rate payers. They could force the companies to simply sit on their allowances — which are good for successive waters — test in cose there sive years - just in case there is a need for expansion or some other event at the plants that forces greater emissions than planned for.

LeBlanc is worried that public utility commissions could regulate the treatment of llowances in such a way as to cripple the emergence of a market. Her group is planning a lobbying effort with state regulators to influence them to make decisions that will foster

allowance trading. level, or exceed it and sell credits to other manufacturers, or even do worse than the average - inevitable with manufacturers in the

executive and sports car sectors - and buy credits from makers of more economical cars. The system's perceived benefit is that a manufacturer would be free to make its own decisions about how quickly to improve miles per gallon – it would provide the benefits of regulation without distorting the market.

Such a system would also encourage innovation and a move towards smaller cars. A CO2 rather than mpg target is preferred by the industry as this would encourage the development of alternative fuels. The industry remains critical of the govern-

ment's refusal to open up, through taxation, a

wider price differential between petrol and die-sel. Their carbon is similar, the industry points out, but the greater economy of diesel vehicles would make the CO₂ target easier to achieve. John Griffiths

Environmental permits set to sweep the trading floor

Another pressure on the pro-posal's implementation is com-ing from state governments. Illinois officials, for example, while endorsing the free mar-ket approach, say they would prefer to have the deadline for the programme postpoped. the programme postponed

Illinois, which is the fifthlargest coal producer in the US and the leading state for reserves of soft sulphurous coal, is trying to keep its coal industry alive by promoting the development of clean coal

technology.

Kim Underwood, director of the Office of Coal Development and Marketing at the Illinois Department of Energy and Natural Resources, says that a delay would give more time for the development of effective clean-coal technologies.

It is unlikely, however, that the programme will be postponed. Already there is legisla-tion proposed that aims to build on the SO₂ allowance trading plan in order to deal with greenhouse gases. Last month, in both houses

of the US Congress, a bill was introduced that would set up an plan whereby companies would be required to offset their emissions of greenhouses gases by planting trees or taking part in a variety of conservation measures. With international vigilance chloroftuorocarions already in the works, Sandor's vision may not be as far fetched as it at

Soviet Union on a green mission

By Della Bradshaw

hile the international news headlines were usurped last week by Mikhail Gorbachev and his entourage wooing leaders from the group of seven industrial nations, another group of Soviet citizens were also visit-

Soviet citizens were and visiting Britain.

Although their mission was less publicised, it, too, demonstrated a sea change in Soviet views. The group of 16 indus-trialists, mainly from the met-als, petrochemical and chemi-cal industries, were visiting UK companies to glean information on how to stem pollu-tion in the Soviet Union and tion in the Sovier Union and how to clean up sea and land that had already been polluted. Leader of the group, former cosmonaut Vladimir Aksenov, now general director of the Planeta space research and

production company, in Moscow, said the team saw a range of technologies used by UK firms in situations analo-

Union And, he While the Soviet said, they were impressed by Union has stringent scrupulousness of pollution regulations. British companies in looking industry continually after their fails to meet them

regulations on pollution.
While the Soviet Union has pollution regulations as stringent as those of many Euro-pean countries, industry con-tinually fails to meet them, reported Aksenov. One of the things that struck him most forcibly was the sanctions that are imposed in the UK - fines, for example - if the laws are broken. This, joked Aksenov, was not the case in the Soviet Union, even though punishment for law-breaking was common enough there for

equipment and adhering to

other crimes. Aksenov was clearly pleased with what he called the UK experts "great delight" in showing their Soviet counter-parts what could be achieved. The list of organisations visited on the Department of Trade and Industry-sponsored tour, organised by PCA International, of Herifordshire, comprised trade bodies, manufacturers and research organisations.

These included the eastern European operations of John Brown, the engineering group, PA Environmental, in Cambridge, Cerel, part of the Bur-mah oil group which speci-alises in air pollution control filters. Unicam, which makes electronic control systems. Shanks & McEwan, the landfill operators, the Institute of Wastes Management and Wessex Water, the west country

water company.
Once back in the Soviet Union Aksenov says he and his co-delegates will disseminate the information gathered in the UK as widely as possible One of the particular lessons that Aksenov will want to share, he says, is the idea that - although expensive - it is better to buy new machinery rather than trying to clean up emissions from old equipment.

As to getting things done, the Soviet Union's biggest gous to those experienced in asset is its workforce expertise the Soviet _____ which, he

argues. could manage range of technologies with the appropri-The second stage

nies will be to work with non-Soviet ones to implement technologies. But Aksenov is realistic that such ventures require improved eco-nomic conditions in the Soviet

Union. Aksenov's experience in trying to get joint international developments off the ground have so far proven disappoint-ing for the former cosmonaut. As head of the Planeta research company, which spe-cialises in using satellite imaging to detect the spread of environmental pollution, Aksenov has argued for co-operation between all the environmental satellite bodies in order to produce more com-prehensive monitoring. Envi-

ronmental issues, he argued, were international issues. The last resort is for the Soviet Union to be given aid, says Aksenov. As a director of Mosbusinessbank, the largest private Soviet bank, he knows that in the end it all comes down to money.

FT LAW REPORTS

Lords quash conviction in cheque and credit card case

REGINA V KASSIM House of Lords (Lord Bridge of Harwich, Lord Brandon of Oak-brook, Lord Ackner, Lord Jauncey of Tullichettle and Lord Lowry): July 18 1991

A PERSON who has obtained a cheque book and credit card by false pretences is not guilty of "procuring the execution of acvaluable security by deception" when he uses them to obtain money and goods, in that "execution" is a technical term which means that the tank or credit card company does something to the cheque or voucher such as signing or validating it, and does not merely give effect to it by making payment.

The House of Lords so held when allowing an appeal by the defendant, Mr Semiyu Gbenga Kassim, from a Court of Appeal decision upholding his conviction for procuring the execution of a valuable security by deception.

Section 20(2) of the Theft Act 1968 provides: "A person who dishonestly... by any deception procures the execution of a valuable security shall... be liable to imprisonment...; and this subsection shall apply in which the realize to the restrict section. relation to the making, acceptance, indorsement, alteration, cancellation or destruction...of a valuable security..."

LORD ACKNER said that on November 26 1986 Mr Kassim was convicted of obtaining property by deception contrary to section 15 of the Theft Act 1968, and with procuring the execution of a valuable security by deception contrary to section 20(2).

The Crown's case was that from January to March 1986 a number of bank accounts were opened with Lloyds Bank, and a Lloyds Bank Access card was issued, all in the name of Michael Scott of 10 Sandringham

By April 1986 the accounts were £8,338 overdrawn, and .£943 was outstanding on

A bureau de change became suspicious when Mr Kassim attempted to cash a cheque and produced a cheque guaran-tee card in the name of M Scott. The police were tele-phoned and he was arrested. In his possession were four Lloyds cheque books, an -Access card, and a Eurocheoue card, all in the name of M Scott of 10 Sandringham Road, Subsequent investigation showed that he had no connection with 10 Sandringham Road. After much prevarication and an attempt to escape from police custody Mr Kassim admitted his true name and address, which was in West Ferry Road,

A number of Access vouchers and and cheque counter-foils relating to "M Scott" were found at that address.

At the trial the sole issue

was whether the person who had conducted the fraudulent activities was Mr Kassim. The issue as to the true construction of "execution" in section 20(2) was not raised until notice of appeal was filed. Leave to appeal was granted only against the convictions

for procuring the execution of a valuable security by decep-The Court of Appeal dismissed the appeal in the light of R v Beck [1985] 1 WLR 22, and R v Nanayakkara [1987] 1

WLR 265. It certified a point of law of general public importance, as to whether there was an "execution" within section 20(2), when a bank on which a cheque was drawn, or a credit card company which received a credit voucher, gave effect to it

by paying it.

Mr Kassim contended that "execution" in section 20(2) meant doing something to the face of a document, such as signing it, or performing for-malities to give it validity. The Crown contended that

"execution", in addition to those meanings, meant giving effect to the document, and therefore included payment out of the value of the valuable security.
Section 90 of the Larceny Act

1861 provided that a person who by false pretence fraudu-lently caused another to "execute, make, accept, endorse...any valuable security" was guilty of a misde-

By section 1 "valuable secu-rity" included "any debenture, deed, bond, bill, note, warrant, order, or other security".

In the same year the Forgery Act 1891 provided that a person who forged "any bill of exchange, or any acceptance, endorsement or assignment of any bill of exchange" with intent to defraud, was guilty of

It was clear from that sec-tion that "acceptance" was used in its technical sense. By parity of reasoning, the same must apply to "accept" in section 90 of the Larceny Act. The Larceny Act 1916 section 32(2) re-enacted section 90 of the 1861 Act. It made no mate-

rial change The Theft Act 1968 repealed the Larceny Act 1916. Section 20(2) was not in precisely the same terms. The offence consisted of dishonestly procuring execution of the valuable secu-rity, and the subsequent ...and this subsection shall apply ...", clearly indi-cated that "execution" was a shorthand expression for an extensive range of acts spelt out in the subsection itself.

They included the "making, acceptance, endorsement, alteracceptance, endorsement, aiter-ation, cancellation or destruc-tion" of valuable security. "Alteration" and "cancella-tion" were the only new activi-

Those were all words particularly apt to describe acts done to bills of exchange and other negotiable instruments. The question was whether the legislature intended by sec-

tion 20(2) to expand the mean-ing of "execute" so that it included "give effect to". The Act was the product of the Criminal Law Revision Committee, it reproduced the substance of the offence under the 1916 Act of fraudulently procuring the execution of a valuable security, but the lan-guage was altered to accord with other provisions relating to deception offences (see para-

There was apparently no intention to make any alteration.

In R v Beck, the appellant obtained goods by forging stolen travellers' cheques or using a stolen Diner's Club card. He was convicted of procuring the execution of a valuable security by deception.

The Court of Appeal, which was not addressed as to the legislative history of section 20(2), took the view that "execution" was not to be construed in a restricted sense. It

graph 107 of the committee's eighth report, Cmnd 2977).

strued in a restricted sense. It held that when a travellers' cheque was accepted by a payer who paid its value, he executed it. Likewise, when Diner's Club accepted a bill for payment and paid it, execution took place. In R v Nanayakkara stolen US social security orders were

endorsed and handed to a bank cashier in London for monies account. The trial judge ruled that "acceptance" in section 20(2) meant "taking into possession" and was not restricted to its technical meaning. On the appeal Lord Lane CJ

traced the history of section 20(2) and concluded that "acceptance" had been used in its technical sense in the 1916 Act and that section 20(2) was not using it in any different sense. Accordingly, "acceptance" had, in relation to valuable securities, no other mean ing than its proper commercial meaning. It was a term of art having acquired a special and

restricted meaning.
He distinguished R v Beck because in Nanoyakkara there was no payment out; all that had happened in the UK was that the orders were handed to the bank. The mere handing over of valuable securities to the bank could not possibly have amounted to an "acceptance". The appeal was

The Court of Appeal's decision in Nanayakkara was cor-rect. The 1968 Act was not intended to make any changes in the law. "Acceptance" did not have the wide meaning attributed to it in Beck. It had a narrower technical meaning it referred to the drawee's act of writing on the bill and signing his assent to the order of the drawer.

It was also clear from the

legislative history of section 20(2) that "execution", which was deemed to cover the various activities detailed in the subsection, had as its object a variety of documents, includ-ing bills of exchange and other negotiable instruments.

The subsection contemplated acts being done to or in connection with such documents It did not contemplate, and accordingly was not concerned with, giving effect to the docu-ments by carrying out the instructions which they might contain, such as delivery of goods or payment of money.

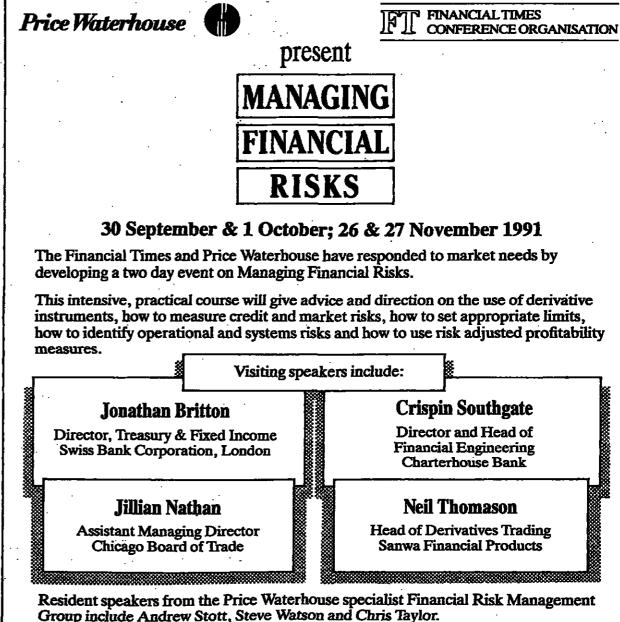
The convictions were quashed.

Their Lordships agreed.

For Mr Kassim: JJ Rowe QC and Laurence Giovene (Adams Horrison)

Harrison) For the Crown: Richard Du Cann OC and James Curtis

Rachel Davies Barrister



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COMMODITIES AND AGRICULTURE

Drought brings sharp cut in Soviet grain estimate

By Leyla Boulton in Moscow

THE SOVIET grain harvest this year will be down to between 195m and 200m tonnes after processing, compared with last year's net production of 218m tonnes, according to Mr Nikolai Averyanov, the Soviet deputy agriculture min-

Mr Averyanov said that although the area sown was the same as last year, drought had affected the harvest in several grain-producing areas, such as the Urals and Kazakh-

in grain imports this year partly because of a fall in Soviet oil revenues and a switch to hard currency trading with former Comecon countries. He gave no figures but Interfax, the unofficial news agency, reported that about 10m tonnes of grain had been purchased abroad in the first half of 1991, including 6m

tonnes of US maize.
The US government recently tan. granted the Soviet Union
Despite continued need for \$1.5bn in export credit guaran-

imports, he added, there had tees, but banks have been already been a significant drop reluctant to lend money to the reluctant to lend money to the Soviet Union for food purchases despite the guaran-tees. Western estimates put Soviet grain import needs this year at between 40m to 70m

Mr Averyanov also blamed a fall in milk and meat output on shortages of fodder. The Soviet statistics agency, Goskomstat, said yesterday these were down 10 and 12 per cent respec-tively in the first six months of this year compared to the pre

Chicago prices rise strongly

HOT ARID weather across the midwestern United States is pushing grain futures prices strongly up at the Chicago Board of Trade. By mid-morning yesterday, soyabean futures for September rocketed 23.25 cents to \$5.59 and September maize rose 8.5 cents to \$2.45%. Wheat futures for September followed along, up 8

cents to \$2.86 \(\frac{1}{2} \). Trading yesterday was "all weather" said one analyst from Geldermann, the large Chicago commodities trading house.

been pushing up prices, week before. traders' concerns were sup-ported by a US Department of after the close of trading Mon-

The report, a USDA weekly crop assessment, said that the maize and soyabean crops were being damaged. The department said that only 58 per cent of the maize crop was in good to excellent condition compared to 66 per cent the previous week. The portion of the soyabean crop in good to excellent condition dropped to 52 per cent from 61 per cent the

Upward pressure on prices is expected to continue, given that national weather services are forecasting little rain for two of the key grain states, Iowa and Illinois, which are already dry. The dryness comes at a crucial stage for both the maize and soyabean crops. This is the pollination point for maize and the moment when soyabean plants sprout the pods that render the beans. If these critical pro-cesses for the crops are hindered, greater crop damage can

Soviet boost for Malaysian market

By Lim Slong Hoon in Kuala Lumpur

THE SOVIET Union has given the Malaysian commodities market a boost with an official request over the week-end for M\$558m (£120m) in credits to buy local agricultural commod-ities, especially crude palm oil. Near month palm oil prices in the Kuala Lumpur Commod-ity Exchange rose on Monday to M\$839 from last Friday's close of M\$829 a tonne to M\$839, while the October price, the most active, rose from

Mr V.S. Mordinov, the Soviet

with Mr Lim Keng Yaik, the Malaysian primary industries minister. Mr Mordinov and Mr Yuri D. Maslykov, the deputy prime minister, are visiting Malaysia in response to a government invitation to a weekend meeting on trade and regional politics of the Associa-tion of South East Asian Nations (Asean).

Mr Lim said his ministry would recommend the cabinet to consider "seriously" the request, the first of this magnitude from the Soviet Union. deputy foreign minister, made the credit request in a meeting for delivery within the next six

months 350,000 tonnes of palm oil and palm oil products, com-pared with 20,000 tonnes during the first half of the year. Should the deal be concluded it would one of the most significant advance for Malaysia in its search for agricultural markets outside its traditional markets in western Europe and north America. Dr Mahathir Mohamad, the prime minister, also travelled to south America earlier this month to promote trade and palm oil exports.

The Soviet Union normally takes 6 per cent of Malaysian palm oil exports.

MINOR METALS PRICES

tonne, in warehouse, 1,620-1,650

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 2.90-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 1.30-1.50

COBALT: European free market, 99.5 per cent, \$ per lb,

Prices from Metal-Bulletin (last week's in brackets). in warehouse, 12.85-13.20 (13.00- kg) WO,, cif, 56-60 (same). VANADIUM: European free ANTIMONY: European free MERCURY: European free market, min. 96 per cent, \$ a lb market 99.6 per cent, \$ per market min. 99.99 per cent, \$ V2O5, clf, 2.40-2.50 (same). per 76 lb flask, in warehouse, 80-95 (same). TRANTUM:

MOLYBDENUM: European free market, drummed molyb dic oxide, \$ per lb Mo. in warehouse, 2.32-2.37 (2.35-2.40). SELENIUM: European free

market, min 99.5 per cent, \$ per lb, in warehouse, 4.80-5.40. TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

cif, 2.40-2.50 (same). ANTUM: Nuexco exchange /value, \$ per lb, U3O8.

+2.325 to 485.875 +1,325 to 258,675 -160 to 83,800 +570 to 4,872

Ertzberg-Grasberg – 'The world's greatest ore body's ME MILT Ward Save - 'The world's greatest ore body's MILT Ward Save - 'The world's greatest o

the Ertsberg would be the end of its operations in Irian Jaya. With the Grasberg discovery and the prospect of a lot more

copper and gold being found in the mountains that run to the

border with Papua new Guinea

the company wants to stay and make the most of its early

The new contract of work has a 30 year term with the prospect of two 10-year exten-

sions. It adds some 6.5m acres

to Freeport's current mining

area of 24,700 acres and it requires Freeport Indonesia to transfer all its assets and liabil-

ities to a newly-formed Indone-

sian corporation.
At the moment, the Indonesian government owns 10 per

cent of Freeport Indonesia and

the company will sell another 10 per cent to indonesian inves-

tors at a price of about \$213m.

In the first ten years of the next century, Freeport will

reduce its share of ownership

ment to staying in Irian Jaya has led to a major

review of its policies and atti-tudes towards the local people

meant that the company has had to start addressing some

long-neglected environmental

mining operations. Over the

past years. Indonesian pressure

groups have accused Freeport

of neglecting local economic

needs, uprooting native Irianese from their traditional

lands, destroying the environ-

ment and failing to make a

positive contribution to the

reeport's new commit-

Entzberg-Grasberg mines, in the high-lands of Irlan Jaya, Indonesia: "It is the greatest ore body in the world."

As president of Freeport McMoRsn, which owns most of that one body, he undoubtedly is biased. However, most analysts agree with him. The facts speak for themselves.

The relatively new Grasberg mine has the largest published gold reserve of any single operating mine in the world - 22m troy ounces. Yet there is much more exploration to be done to define the final outline of the ore body. define the final outline of the ore body.

Gold is only a by-product, as is the silver that is present in large quantities. Grasberg is being mined for its copper. Already 15bn tonnes of copper have been identified.

When the gold and silver by-products are included, Grasberg's cash cost of producing copper is only 40 cents a lb,

lars and an almost unbeliev-

able feat of engineering to build the Freeport copper mine high in the rugged mountains of Indonesia's Irian Jaya prov-ince. There must have been

moments when the Americanbased company, faced with some of the most inhospitable

terrain on earth, low world copper prices and increasing criticism of the mines environ-mental and social impacts.

wondered if it was all worth it.

Indonesia's early efforts are paying off and its mining activ-

ities are growing. New mineral

deposits are being exploited in

the huge copper and gold rich Grasberg mountain and the

company last month announced total ore reserves of 483m tonnes. An ambitious

mill expansion programme,

which will eventually yield

57,000 tonnes of ore a day, is almost complete and Freeport has just initialled a new 30-

year contract of work with the

government, which it expects to ratify later this year. Freeport, now Indonesia's

biggest corporate taxpayer, was in 1967 the first foreign

company to invest in the country under President Suharto's

new government. It was drawn

to the eastern-most province of Irian Jaya (formerly Dutch

New Guinea) by the Ertsberg

mountain - a huge outcrop of copper - which went into pro-

To get at the copper Freeport

built a 104 km (65 mile) road

from the swamp lands on the totally undeveloped southern

Irian coast up into the glacier-

capped mountains. The town of

Tembagapura was built some

597 596 619 606 658 647

Previous High/Low

Close Previous High/Low

101.5

Close Previous High/Lov

Previous High/Low

124.00 121.00 127.00 123.50 129.50

Turnover 70 (60) lots of 20 tonnes. CMT - London FOX

Close

124.70

111.40 111.30

113.50 113.25 117.00 116.75

PIGS - London POX (Cash Settler

94.0 95.0

Clase Prev.

139,43 139.79 139,70 140.90 140.10 141.30 140.50 142.00

20.0 80.0 102.5 99.3

124,00 127,00 129,50 129,00

1520 1515 1542 1530 1620 1605

111.45 115.05 114.90

Previous High/Low

117.00

1620

Turnover: 2908 (3387) lots of 10 tormes ICCO indicator prices (SDRs per tonne). Daily price for Jul 22 779.69 (790.95) 10 day sverage for Jul 23 788.90 (766.97)

COFFEE - London POX

POTATOES - Laudon FOX

Now however, Freeport

MR MILT Ward says of the putting among the cheapest in the Ertzberg-Grasberg mines, in the high-world. Freeport has locked in a floor price of 95 cents a lb for 200m lb of copper in the second half of 1991, or roughly 88 per cent of expected sales in that time.

Mr Ward says that, as output increases, the cost should fall to 30 cents a lb.

Freeport is in the process of spending US\$507m to raise the amount of ore processed at Ertzberg-Grasberg from 20,000 to 52,000 tonnes a day by early next year. This will boost annual out-put to 600m ib of copper and 600,000

Reserves have been growing so fast that Freeport is looking at the economics of lifting production again to 57,000 tonnes a day and then to 90,000 tonnes. At 90,000 tonnes a day, Grasberg would produce nearly 1bn lb of copper a year, 1.45m ounces of gold and 3.25m ounces

Freeport's Indonesian

Claire Bolderson reports on a copper project

with the mine site.

struggles pay dividends

involving almost unbelievable feats of engineering

WENTY YEARS ago it took extraordinary vision, millions of dolard an almost unbelieved and an almost unbelieved with the company construction with the company construction of the company construction with the company construction of the company constructi

structed a mill and built the

longest single-span aerial tram-way in the world to connect it

A 115 km slurry pipe was laid to carry copper from the mill to the port that the company carved out of the jungle below and from where copper concentrate is shipped to

smelters, mostly in Japan. As

one Freeport executive sums it up "everything was a logistical nightmare". Today all that is

left of the Ertsberg is a steeply terraced pit. There are still some 3m tonnes of copper at

the bottom, which will be

mined from underground, and there is underground mining

also at the Ertsberg East site

nearby. But it is the Grasberg moun-

tain 3 km away that is now the

focus of Freeport Indonesia's

attentions. Grasberg has an estimated 396m tonnes of ore

reserves at an average grade of

1.54 per cent copper, 2.03 grams

of gold per tonne and 3.40 grams of silver per tonne. Its gold reserve is the largest published of any operating mine in

Production at Grasberg, which will eventually be one of

mines, began in January of last year and by the end of 1990 Grasberg was supplying more

than 50 per cent of the ore going to the mill. At the mill, a big expansion programme has

been under way to cope with

The plan is to increase mill

capacity to 57,000 tonnes a day

by early 1992, up from an aver-

age daily output of 24,700

tonnes in 1989 and 31,700 last

the new mine activity.

World Commodities Prices

the world's biggest open pit of the province. It has also

That is not the end of it. In June this year the Indonesian government initialled a new contract of work that gives Freeport exclusive rights for exploration for copper and associated minerals within an area of 6.1m acres, adjacent to and 250 times larger than the company's existing contract of work area. The contract runs for 30 years with allowance for two ten-year

Mr Ward says he hopes eventually to have a dozen mines in the area. One big drawback is that there are no roads, power lines or other infra-structure for hundreds of miles outside the present mine area. It is impossible even to land a helicopter in much of the area. But, in case Freeport needs help, nearly every international mining company has been calling to enquire about joint ventures. Mr Ward says: "fi

appropriate we would take in partners; to use their skills and money. But not

at the moment". As usual with mining projects, the ownership of the "greatest ore body in the world" is fairly complex. Freeport McMoRan, based in New Orleans, owns memorian, pasen in New Orients, owns
78 per cent of Freeport Copper and
Gold, another US-quoted company and
domiciled in Reno, Nevada. Freeport
Copper now controls 80 per cent of
Freeport Indonesia, which owns and
the mines and exploration area. The the mines and exploration area. The new contract of work called for Free-port Copper's previous 90 per cent stake to be reduced through the sale of shares to Indonesian investors. This has just been done and Preeport Copper collected US\$213m, thus valuing Free-port Indonesia at more than US\$2.1bn. By the year 2011, Freeport Copper must reduce it shareholding to no



The Grasberg mountain is now the focus of attention

It was difficult to establish a true picture because Freeport's activities were virtually sealed off from outsiders. Now, however, the company is making a determined effort to portray a different image, one which it says reflects its commitment to the people of the region. It has set up a foundation that is putting money into building villages, clinics and schools in the coastal areas near its port. Tembagapura buys large amounts of local produce from Irianese fishermen and tradi-tional farmers and the com-pany is planning a \$25 business incubation scheme to help

local people become better edu-cated, they will stand a better chance of being hired. Important environmental questions remain, however. Freeport knows this and wants to do something about them. It

has this year set up an envi-

few Irianese have in the past been equiped with the skills

needed at the mine but that as

bagapura and for the first time since mine production began 18 years ago the company is monitoring regularly the Ajikwa river into which it dumps all its copper tailings. It is also carrying out reclamation projects and assessing the envi-ronmental impacts of its new mining activities.

Environmentalists remain concerned. They are anxious about the increase in tailings as the operation at Freeport expands, about the possible silting up of the river and about the possibility that the material in it may become toxic. They criticise Freeport for having failed to consider small-scale Indonesian pushesses get off the ground. Free port also says it wants to and for failing even now to plan ahead adequately. They are also concerned about the huge amounts of overburden that have to shifted from the Grasberg mountain to get at

> By the time Freeport has finished with the Grasberg the mountain, like the Ertsberg, will have disappeared Envi-ronmentalists say the company must plan better for the dis posal of its remains.

> > .mercial

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MARKET REPORT

Aluminium prices continued to decline on the LME, although the market was able to absorb fairly heavy producer hedge sales. The 2,325 tonnes rise in LME warehouse stocks (to a record 485,875 tonnes) was much smaller than expected but traders substantial arrivals in LME warehouses over the summer. Nickel prices recovered earlier losses to close fairly steady. LME warehouse stocks rose by a further 570 tonnes to 4,872 tonnes, more than twice the level of a week ago. Platinum closed \$1.50 down at the close on the London bullion market at \$377.50 a troy ounce despite the announce

London Markets

<u></u>		
Crude oil (per barrel FOB)		+ or -
Dubaj Brent Blend (dated) Brent Blend (Sep) W.T.L. (1 pm est)	\$16.25-6.30u \$19.50-9.65u \$19.55-9.60 \$21.35-1.40	- 475 - 375
Of products (NWE prompt delivery per t	onne ÇIF)	+ or -
Premium Gasoline Gas Oil Heavy Fuel Oil Naphthe Patroleum Argus Estimates	\$242-244 \$187-188 \$72-74 \$190-182	-1 -1 -1 -3
Other		+ or -
Gold (per troy ozja) Silver (per troy ozja) Platinum (per troy oz) Palladium (per troy oz)	\$967.86 430.5c \$377.50 \$95.50	-1.65 -8.0 -1.5
Copper (US Producer) Lead (US Producer) Tin (Kuala Lumpur market) Tin (New York) Zinc (US Prime Western)	103.4 50c 15.41r 263.5 62c	-0.1 +0.02
Cattle (live weight)† Sheep (dead weight)† Pigs (live weight)†	108.12p 117.32p 63.29p	-0.41° -5.17° -4.44°
London dally sugar (rew) London dally sugar (white) Tate and Lyle export price	\$289y \$333.0y \$271.5	-7.0 -2.5 -3.5
Barley (English feed) Maize (US No. 3 yellow) Wheat (US Dark Northern)	118.5t £180.5 Unq.	
Rubber (Aug) 🎔 Rubber (Sep) 🖤 Rubber (KL RSS No 1 Aug)	53.25p	
Cocomit oii (Philipphres)§ Palm QII (Malaysian)§ Copra (Philippines)§ Soyabeans (US) Cotton "A" Index Wooltopa (64s Super)	\$465y \$352.5y \$295z £152x 80.20e \$82a	+5.0 -7 +0.10

by Lonrho South Africa that it was having talks with Glavalmaz Zoloto, the Soviet Union's precious metals organisation, about possible complementary technical and marketing arrangements. Mr Paul Spicer, a director of Lonrho, pointed out that GZ was "a major force in the world platinum market and we have the highest regard for its marketing abilities." Analysts have suggested that South Africa and the Soviet Union

might be working towards a platinum cartel. There was active two-way trading in silver and the metal ended 8 cents lower at 430.5 cents a troy ounce. Gold came under pressure from US banks. SUGAR - London FOX (\$ per tonne

Close Previous High/Low

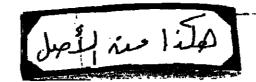
Aug	235.00	232,40	282.00 281,00
Oct	206.60	208.60	208,40 207,00
Dec	189.20	197.60	191.00 188.00
Mar	190.20	193.60	194,00 192,00
Walte	Close	Previous	High/Low
Oct	281.0	263.0	283.9 281.0
Dec	273.0	275.0	273.0 273.0
Mar	273.5	274.0	274,5 272.8
May	276.5	276.5	277.0 274.5
White S	62 (260)	13 (422) lot per tonne)	s of 50 tonnes. : Oct 1684
CRUDI	(Off II		\$/berrel
	Late	st Previo	us High/Low
Sep	19.50	19.88	19.95 19.49
Oct	19.57	19,97	19.92 19.53
Nov	19.50	19.85	19,91 19.55
Dec	19.60	19.87	19.68 19.60
Jan	19.62		19.62 19.55
IPE Indi	ex 20.01	20.03	
Turnove	er 1 003 5 (13230)	
GAS O	L – PPE		\$/tonate
	Latest	Previous	High/Low
Aug	183.76	185.75	185.00 182.00
Sep	184.25	186.75	185.50 183.25
Oct	187.00	188.50	188,00 185,25
Nov	188.00	189.50	189.50 186.25.
Dec	186.00	190.50	190.00 187.00
العل	184.50		185.50 184.50
Feb	179,75	182.00	179.75
Mar	175.00		175.00
Apr	172.50	174.25	174.00 172.50
Tuesday	- 11500 A	ECOTO Lobo o	4 100 100000

	188.00 188.00 184.50 179.75 175.00	189.50 190.50 182.00	189.50 196.25. 190.00 167.00 185.50 164.50 179.75 175.00 174.00 172.50
nov	er 11380 (of 100 tonnes
tres teak pant urki urki urki ugu 470, Ant	t ended 19 to. Againsi t. Fair trad gh, Russia E sst/Septem swc: 3471	July ernor 107 tonne Ing develo In and Wes ber: c and	nent sales for the onted to 203 is in the previous pad, mostly in it African varieties. † Dunder; BTC 0, 8WD \$435; c and 0, \$450, BTD \$430,
			· •

	_							
LOHBON	INTAL EX	HANGE		(Price:	supplied	by Amaiga	mated 1	Metal Trading
	Close	Previous	High/Low	_ /	UM ÇITICIB	Kerb d	058 (Open Interest
Alumbiua	, 99.7% part	ly (\$ per lonne)				Total dai	y turno	rer 22,164 lot
Cush 3 months	1280-1 1314-5	1291-2 1324-5	1322/1310		290-1 314-5	1311-2	1	19,713 lota
Copper, G	rade A (2 pai	tonne)				Total dai	y turno	ner 38,927 lot
Cash 3 months	1319-20 1340-1	1321-3 1339-40	1320 1347/1335		319-20 340-1	1337-9	2	3,233 lots
Lead (£ pe	r tonne)				_	Total de	ily turno	wer 3,095 lot
Cash 3 months	321.5-2.0 333-3.5	321.5-2.5 331.5-2.5	332 335/333.6		22-2.5 33.5-4.0	383-4	3	,558 lots
Nickel (S p	er tonne)					Total de	ily turno	wer 2,048 lot
Cash 3 months	8290-310 8310-25	8300-10 8310-20	8325/8280		260-80 280-90	8290-30	0 2	.098 lots
Tin (\$ per t	ionne)					Total da	ily turno	wer 2,564 lot
Cash 3 months	5670-80 5760-6	5860-S 5752-6	5870 5790/5750		670-5 750-6	5790-80	0 3	,374 lots
Ziac, Spec	al High Grad	le (5 per tonne)				Total deli	y turnov	rer 10,436 lot
Cash 3 months	1061-3 1076-7	1064-8 1075-6	1083 1082/1075		062-3 075-6	1078-9	1	1,253 lots
LIME Closic SPOT: 1.68	ng £1\$ rada; 45	3 months: 1,68	45	 6 π	onths: 1.6	501	9 m	onths: 1.7837.
_								
	BULLICH W Splied by N.J	ARKET 4,Rothschild)		Ne	w Y	ork		
Gold (fine	oz) \$ price	£ equive	lent	BOLD	100 troy	oz.; \$/troy o	2_	
Close	387.60-36	8.10			Close	Previous	High/L	OW/
Opening <i>Morning its</i> Alternoon 1		8.70 219.758 218.821		Jul Aug Sep	368.1 368.5 370.2	367.6 368.1 389.8	0 368.9	0 367.7
Day's high Day's low		8.90		Oct	371.9 375.3	371.6 375.0	372.3 375.8	\$71.2 574.8

			_						_
								•	
LONDON BU (Prices suppl			hild)		Ne	w Y	'ork		
Gold (fine oz)	S price	- 1	equiv	alent	GOLD	100 troy	oz.; \$/troy o	2	
Close	387.60-36	B. 10				Close	Previous	High/Low	
Opening	368.30-36				Jul	358.1	367.6	0	0
M <i>orning for</i> Alternoon fix	368.05 367.40		21 <i>9.758</i> 218 .82 1		Aug Sep	368.5 370.2	366.1 389.8	368.9 0	367.7 0
Day's high	368.50-36	B.90			Oct	371.9	371.6	372.3	\$71.2
Day's low	367.30-35				Dec	375.3	375.0	375.8	374.8
Loco Ldn Me	ne Gold L	anding l	tates (Va USS)	Feb Apr	378.9 382.4	378.6 382.1	379.2 0	378.1 0
month	5.51	6 mor	nths	5,45	Jun	385.9	3385.6	ō	ō
2 months	5.50	12 m	entha	. 5.44	Aug	389.6	389.3	0	0
months	5.49								
Silver fix	DALLING OS		13 cts	ednia					
Spot 3 months	258.40 265.45		132.50 138.65		PLATI	NUM SO t	oy oz: S/tro	y cz	
months	272.40		46.00			Close	Previous	High/Low	
2 months	285.80		61.00			377.3	378.1	0	0
CLD COIN					Jul Oct	380.8	381.6	381.5	390.0
Prices suppli		nelhant l			Jan	385.0	385.8	365.7	384,5
- 11000 00 рра					Aor	388.8	399.7 393.8	0	0
	\$ price		rupe 2		Jul Oct	392.5 399.9	400.7	ŏ	ŏ
Crugerrand Maple leaf	387.50-3 375.00-3		219.00						
vapue reau Vew Sovereig			223.30 52.50-5						
RADED OF	<u> </u>				SELAC		rcy ez, cent	<u> </u>	
Maninian (3)		Calls		Puts		Close	Previous	High/Low	
trike price \$	tonne Seg	Dec	Şep	Dec	Jtd Aug	426.0 426.0	432.5 432.7	430.5 0	426.0 0
200	101		2	10	Sap	429.0	435.7	433.0	428.5
300 400	29 3	70 26	29 102	39 94	Dec	436.4	443.2	441.0	436.0
					Jen Mar	438.2 444.5	445.1 451.4	443.0 448.5	443.0 444.5
opper (Grade		Cails			May	450.0	457,0	455.0	452.0
150 250	97	117	21	84	Jul	455.6	482.7	480.0	457.0
250 350 ⋅	40 12	70 38	84 135	114 180	860	461.6 471.0	468.8 478.3	0 473.0	0 473.0
	<u>''-</u>		130		Dec	47.170	4100	41078	W3.H
offee	Şeç	Nov	Sop	Nov					
00 50	46	66	2	6	THOU I	GRADE C	OPPER 25,0	00 lbs: cast	le/lbs
3U 00	12 1	35 15	16 57	22 52	- Trous			High/Low	
oece	Sep		Sep	Dec		Close 99.25	Previous 99.40	99.80	99.00
<u></u>	46	88	4	8	ئين مسلم	99.60	99.70	99.25	99,05
00	ž	70	10	15	Sep	99.60	99.60	99.95	20.98
25	14	53	22	23	Oct	98.15	99.30	0 .	0
rent Crude		Oet			Nov Dec	98.65 98.50	99.00 88.85	0 98.90	98.10
	Sep	Uer	Sep	Oet	Jen	98.05	98.30	0	٥
950 900	58 20	50	33	47	Feb	97.65 97.20	97.95 97.56	0 97.55	0 97.00
050	9	38			Mar Apr	95.90	97.30 97.30	97.30	97.30

									üİ
CHUE		gt+1) 42,000			Ch	icag	0		: 1 : ! :
	Latent	Previous			- ROYA	STARS S	000 bu min;		
Sep Oct	21 .38 21.32	21.87 21.76	21.59 21.51	21.29 21.23	. ==:::	Close	Previous		usines: :
Noy	21.30	21.63	21.41	21.20				High/Low	
Dec	21.15 20.98	21,48	21.30	21.10	Aug Sep	580/0 582/4	535/4 535/6	965/4 565/6	55370 55570
Feb Mgr	20,73	21.18 21.04	21.05 20.02	20.95 20.70	Nov	559/4	540/0	570/0	56180
Apr	20.70	20.91	20.74	20.74		579/4 589/4	550/2 560/4	580/2 590/4	571,0 58005
HEAT	ING OIL 4	2,000 US g	alis, cents	/US galts	May	597/6	568/2	888/2	590/0
	Letest	Previous	High/Lo	w	- Jui	801/4	578/2	606/2	596/AL
Aug	5796	6916	5840	5785	SOYA	BEAN OIL	60,000 lbs; c	ents/lb	
Sep Oct	5810 6015	6029 6135	8960 6065	5890 6010		Close	Previous	High/Low	<u> </u>
Nov	6125	6240	6170	6120	Aug	19.33	18,56	18.50	
Dec	5230 6206	6330	8260	8200	Sep	19.54	18.74	18.65	18.90 19.10
Jan Fee	6225 6105	6339 6210	6260 6150	6225 6100	Oct Dec	19.71 20.12	18.96 19.30	19.85	19.30
Mar	5865	5950	5890	5885	Jan	20.29	19.45	20.20 20.35	19.66 19.90
Apr	5640	5735	5640	5640	– Mar – May	20.62 20.75	19.72 20.00	20.62	20.20
COCC		es;\$/tonne			_ Jul	20.97	20,11	20.87 21.11	20.70 ; 20.97 .
	Close	Previous	High/Lo	<u> </u>	SOYA	BEAN WE	AL 100 tons;		
Sep	967 1025	980 1018	985	966		Close	Previous		
Dec Mar	1070	1018 1087	1043 1087	1015 1064	Aug	177.4	168.8	High/Low	<u> </u>
May	1104	1996	1112	1093	Şep	176.7	167,1	178.3 177.1	172.5 172.0
Jul Sep	1126 1155	1122 1151	1132 1165	1124 1149	Oct Dec	174.6	166.0	176.0	172.0
Dec	1193	1189	0	0	Jen	174.9 175.8	168.3 167.2	176.8	1720
Mar May	1299 1265	1235 1255	0	0	Mar	175.7	168.5	177.2 178.5	172.5 173.0
		,5008bs; cer		<u> </u>	May .	176.5 177.0	169.5 171.0	178.0	1765 1750
-							min; cents/5	180.0	175_0
	Close	Previous	High/Los		_ ==	Close			
Sap Dec	82.40 85.76	83.05 86.35	83.55 86.20	82.20 85.70			Previous	High/Low	<u> </u>
Маг	89.00	89.80	90.00	89.00	Step	246/6 250/0	238/6 240/0	246/6 250/0	244/8
May Jul	91.45 94.00	92.00 94.50	91.90 0	91.25	Mar	257/4	247/4	257/4	248/4 255/0
Sep	96.45	96.50	Ö	0 8	May Jul	283/g 287/g	253/0	263/0	260/6
Dec	99.00	99.55	ā	Ō	Sep	280/4	. 257/0, 250/4	267/0 : 260/4	263/8
					Dec	255/4	249/8	258/4	255/0 252/4
SUGN	A WORLD	112,0	00 (pet ces	rte/lbe	WHEA	T 5 000 N	min; cente/		
	Close	Previous	High/Los	•		Close	Previous		
Oct	9.20	9.80	9.32	9.15	Sep	289/2		High/Low	4-
Mar May	8.67 8.70	8.72 8.74	9.70 8.78	9.66 8.70	Dec	302/4	278/4 282/2	291/4	254/4
NA May	8.69	8.70	8.89	8.66	Mar	306/4	295/4	304/4 - 309/0	28/70
Oct	2.65	8.55	8.65	8.65	May Jul	305/4 200/4	200/4	305/4	300/A
					. Sep	300/0	290/4 0	300/4 0	298/0 ·
COTIN		cents/lbs				ATTLE 40	,000 lbs; can		
	Close	Previous	High/Los	y		Close			*
Oct	70.99	70.67	72.00	70.80	Ā.— ·		Previous	High/Low	
Dec Mar	70.40 71.55	70.08 71.18	71.50 72.45	70.90 71.55	Aug Oct	73.22 74.82	73.12 74.80	73,27	72.90
May	72.32	71,77	73.25	72.34	Dec -	75.87	75.62	75.00 · 75.95	7488 75,40
ألتال	72.92	72.50	73.45	73.20	Feb	75.12	74.87	75.20	75,00 74,85
Oet Dec	69.20 67.25	69.23 67.93	0 68.00	0 67.90	Apr Jun	75,50 78,80	78.30 73.70	75.65 ·	75.25
					Aug	72.10	73.70 72.10	73.85	73.50
		15,000 Eos.			LIVEH	065 30 0	00 lb; cente/l		8
	Close	Previous	High/Los	<u> </u>		Close	Provious		<u>. y.</u>
Sep Nov	118.90	119,70	119.90	118.60	Jul	56.55		High/Low	47.
gen May	115.05 117.65	718.80 118.60	118,40 118,20	118.05 117.60	Aug.	51 <u>.92</u>	56.37 51.87	55.52	55:95
Mar	118.15	119.15	118.25	118.15	Oct	44,32	44.80	52.40 44.90	51,60
ايرا	118.65	119.65	0	0	. Dec Feb	49.87 49.87	#1.60 ************************************	44.37	44 <u>20</u> 48.70
					Apr	42.27	43.86 42.16	44.35	43.60
MDH			<u> </u>		Jun	46.60	46.50	42.55 48.95	42 15 48 30
						46.70	46.35	46.70	0
HEUT		e: Septemb	er 18 193	- 100)	PORK	BELL bre	0,000 lbs; co		. ,
	July 23	July 22	गाको खु	yr ag o		Clore			
	1694.0	1695.8		1789.8		Cicae	Previous	EgtvLow	· i*
DOW	JONES (E	Base: Dec. 3			Aug Aug	45,70 43,30	47.70	47.25	4579
_	July 22				Feb	48.02	45.30 47.05	40.40	43,80
Spot	123.07		met ag		Mar	47.02	45.85	48.85 40.15	45,60 46,60
	123.02 123.02	122.81 122.64	129.17 125.02	131.78 180.89	May	48.05 48.50	47.60 48.60	40.30	47.90
					AUG	45.50	45.50	0	0 L
			•						97



LONDON STOCK EXCHANGE

Equities at peak in heavy trading

INCREASING optimism on the entlook for the British economy, stimulated by the improved monthly trade and retail sales data disclosed on Monday, spurred the London stock market to new peaks yesterday. arday. At the day's best the FT-SE

WEDNESDAY JULY MK

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Toperate we would be a second the action of their skills and acceptance in the action of actions and action of the
5 now the focus of attention

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Chicago

La rucus el sixia Lucia el sicial fra

hadex was nearly 37 up and within six points of the 2,600 mark, which is still the yearend target of several leading UK securities houses. Trading volume increased sharply, with the Sean total of 651.5m shares the highest since mid-April. institutional fund managers

were quickly drawn into the stock market and, with marketmakers still very short of stock, share prices exploded nowards at mid-morning. The day's peak of 2,594.7 on the Rootsie was reached at mid-ses-

Oftel

hopes

lift BT

MARKET hints that BT

(British Telecom) and Oftel; the telecoms industry watch-doc had resolved their differ-

ences over the dispute concerning "interconnect", or access

gered a strong rise in BT

The market believes that

Offel will make a statement

this morning outlining a new agreement on "interconnect"

and other contentious points and that later this week the

Treasury would release details

of the sale of the government's

remaining near 49 per cent

BT shares have been unset-

tled in recent sessions by

Oftel's decision that if BT did

not agree to its competitors being given free access to its

UK network, then Oftel would

press for a Monopolies and Mergers Commission (MMC) myestigation into BT. Such a

move would have led to a delay in the sale of the government's

Telecoms specialists said BT and Oftel had held intensive

talks over the weekend to try

to head off the prospect of an

MMC reference. The discus-

sions reached a climax on Mon-

day and BT directors were

believed to have held a board meeting yesterday to rubber stamp the agreement with

Oftel Commented one analyst:

"It looks like full steam ahead

for the sale of the govern-ment's stake in November." BT

shares were among the Foot-

sie's best performers, closing
11. (or 3 per cent) higher at
374%p on 6.8m traded.

whereas researchers had fore-

and next would only be in sin-

were inclined to add £5m to

Reuters jumps

holding in BT.

BT shares.

rivals to BT's network, trig

Account Dealing Dates Jul 29 Aug 9 Aug 30 Aug 19 Sep 9

sion and the market then hung fire until Wall Street opened. At the close, the FT-SE Index was 29.4 up at 2.587.9, having slipped off the top towards the close when Wall Street shed 10 Dow points in London hours to challenge the Dow 3,000 testing ground again.

The UK market was led forward by widespread gains in the cyclical, or recovery stocks. with the building and building materials issues standing out

£10m to their current year fore-

casts, raising them to £335m to £340m. The more cautious,

such as at UBS and Carr Kit-

cat, left their numbers barely

changed at £325m or £330m.

UBS' longer term concerns prompted it to cut next year's

one point yesterday before end-

ing at 794p for a net gain of 25.

Turnover was brisk, consisting mostly of large trades. Final volume came to 1.6m, the high-

The ripple effect from the

BCCI closure washed over

National Rome Loans, whose

shares plummeted from 69p to 38p. Thin trade of only 286,000

shares emphasised the speed of

rounded by rumours concern-

ing BCCL NHL said yesterday

that it was arranging loans

with the UK clearing banks

and was confident it would be

able to meet future liquidity

requirements. The mortgage

finance group has been badly

affected, dealers said, by heavy

withdrawals by local councils

following the BCCI revelations.

At the start of this month NHL shares fell after job cuts

and a restructuring aimed at

stemming losses from its con-

sumer finance subsidiaries.

Profit forecasts were at that

stage being cut by analysts.
The rest of the financial sec-

tor was shaken by the NHL news. First National Finance

dropped to 91p at one stage, but closed just 5 down at 105p

following a reassuring state-

ment from the company point-

ing out that its reliance on the short-term deposit market "Is

On Monday NHL fell 19, sur- 200

est since mid-May.

the decline.

NHL plummets

estimate by £30m to £350m. Reuters was 44 stronger at

firmly. Also strong again were the retail stores, which attracted heavy volume as investors continued to respond to the unexpected disclosure earlier in the week that UK retail sales had risen by 1.3 per

cent in June.
In contrast, the heavyweight blue chips tended to lag behind the market. ICI closed firmly ing figures due this week, but Glaxo and BAT Industries were among those to run into profittaking following good advances in the shares over the past

The question on every strategist's lips was, "Is this the long-awaited break-out in the UK equity market?" The market opened fairly quietly yes-terday morning, in the shadow of unimpressive performances

FT-A All-Share Index

Equity Shares Traded

Discount houses were given

a rough ride ahead of today's

interims from Union Discount

which weakened 15 to 422p, its lowest level for more than five

years. Union issued a profits

Construction issues were

strong as current account and

retail sales figures rekindled

hopes of another cut in interest

rates. Pilkington firmed 5 to

157p on good volume of 6.8m.

One analyst commented: "It

may be that the economy has

turned and people are looking for bombed out stocks, but I think they are being prema-ture." Redland picked up 23 to

583p and RMC gained 20 to

Hopes for economic recovery

warning on June 21.

Turnover by volume (million)

1150

from Tokyo and New York, and it was once again left to the London futures markets to push the underlying equities ahead.

Both Barclays de Zoete Wedd and Nomura Research warned against over-enthusiasm yes-terday, and both remained content with their respective fore-casts that the FT-SE Index will end the year around 2,600. However, Salomon Interna-tional, the US-based investment house, took a bullish view of this week's develop-ments and raised its sights to FT-SE 2,850 by the end of this

Non-UK funds were active in London yesterday, on the view that both the economic and political outlook in the UK has improved significantly, accord-ing to analysts at London bro-

added 9 at 284p. Asda, the

supermarket group with the largest non-food retailing divi-sion, put on 3 to 97p, reflecting

similar hopes for a revival in

Boots was additionally

helped by news of a transatlan-tic marketing deal for its phar-

maceuticals. The shares appre-

news that it had linked up with European wholesalers to

form CEM, a joint marketing

company whose combined

sales will be more than £25hn.

eased 2 to 274p on talk that a UK broker had recommended

that investors take profits.

Cadbury Schweppes rose 7 to 377p following renewed specu-lation about a bid approach

from US food company Philip Morris. Tesco receded 2 to 279p

on widespread talk that a large

agency broker had cut current

year forecasts by £15m to

£555m and next year's estimate

International stocks, espe-

cially the pharmaceuticals, were left behind as investors

hunted for cyclicals likely to

outperform in a recovery.

Glaxo, the weakest, slipped 8

heavy trade as an internal note

at Carr Kitcat said that the

market had concentrated on

the company's property side and that all the bad news was

in the price. The shares climbed 14 to 267p as 6.7m

television contractors ran into profit-taking. Central TV

dropped 22 to 800p and Scottish

USM-quoted specialist jour-nal publisher Metal Bulletin

jumped 31 to 171p as acquisi-

tive magazine proprietor Emap

Recent outperformers among

changed hands.

TV fell 17 to 478p.

Ladbroke outperformed in

by £25m to £615m.

Ranks Hovis McDougall

Booker rose 10 to 477p on

consumer confidence.

ciated 9 to 415p.

Activity in stock index futures played a significant role in yesterday's advance. Trading volume in futures was estimated to be around double normal levels and there was heavy arbitraging between futures and underlying stocks.

Futures arbitraging involves increased inter-marketmaker business, which is included in the daily Seaq total. Retail, or customer business in equities has been erratic in the past fortnight; although daily totals have twice exceeded £1bn during the past week, Monday's retail business totalled only £742.3m. Market analysts will await the retail data on yesterday's market with more than usual interest in their search

Carr Kitcat & Aitken said the shares were underrated by the market.

investment institutions.

Claremont Garments began trading at 170p following its demerger from Alexon and closed at 163p as some of the original shareholders took the opportunity to sell out.

Trafalgar House lost 8 to 230p as it went ex-rights. The conglomerate is raising £310m with a one-for-three share issue. The new shares, priced at 190p, will be quoted as an "A" line rather than in the ordinaries. Davy Corporation, which Trafalgar House took over at the end of June and which ceases to be quoted today, closed up a penny at

AIM Group jumped 20 to 99p, reflecting steady final year results and a positive statement from the chairman, Mr Jeff Smith. Mr Smith said there was little doubt that the foundation for sustained growth was now firmly in position.

British Aerospace declined 6 to 554p with Nomura said to have been the session's main seller. Nomura said it was negative on the stock because of "persistent concern about defence markets and uncertainty about the outlook for estic car sales".

MARKET REPORTERS: Daniel Green, Peter John, Jim McCallum, Joel Kibazo Steve Thompson ■ Other market statistics, includ-

ing the FT-Actuaries Share Indi-ces and London Traded Options, Page 18.

"Shorts" (Lives up to 1001) 991, Each 11pr 1991.

991, 962, Fres. 82 1991.

1017, 1006; Fres. 124 pc 19722;

991, 975; Fres. 11pc 1992;

100.1 982, 11res. 80c 1992;

100.1 983, 11res. 104 pc 1992;

100.1 983, 11res. 105 pc 1992;

1004, 1023, 1004, Each 124 pc 1992.

1004, 1023, Each 124 pc 1993.

991, 974, Fres. 10pc 1993;

1004, 1023, Each 134 pc 1992.

1004, 1023, Fres. 124 pc 1993;

1004, 1023, Fres. 124 pc 1993;

1004, 1023, Fres. 124 pc 1993;

1004, 1023, Fres. 124 pc 1994;

1114, 1005, Each 134 pc 1994;

1124, 1005, Each 134 pc 1994;

1004, 1024, Fres. 10pc 1a, 1994;

1004, 1024, Fres. 10pc 1a, 1994;

1007, 1025, Each 134 pc 1994;

1007, 1025, Fres. 125, 1995;

87, 824, Each 5c 6a; 90-95;

1107, 1025, Fres. 125, 1995;

1138, 1094, 1188, 148; 1995;

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1138, 1094, 1188, 148; 1995;

1119, 1155, 1768, 124; 1995;

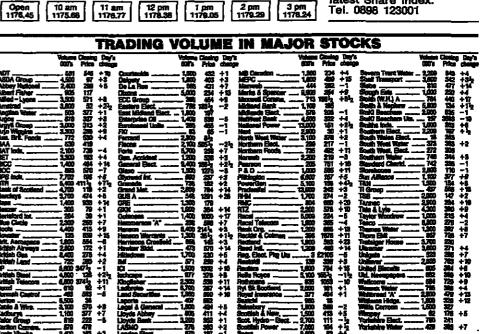
1119, 1155, 1768, 124; 1996;

BRITISH FUNDS

Five to Fifteen Year

(2/1)(28/11/47) 1606.3 (16/1) FT-SE 100 Share 2587.9 (16/1) (23/7/91) (23/7/84) 938,62 1192.11 938.62 (16/1) (5/6/91) (16/1/91) ●Ord, Div, Yield ●Earning Yid %(fuli) ●P/E Retio(Net)(☆) 8.44 14.58 8.41 14.62 10.95 11.07 SEAO Bargns 4.45pm Equity Turnover(2m)† Equity Bargains† Shares Traded (mi)† GILT EDGED ACTIVITY indices* Gilt Edged Day's High 2011.1 Day's Low 1979.0 Open 1983.4 10 am 1998.8 2006.8 2007.5 2005.9 2007.5 5 - Day average 88.4 89.0 "SE Activity 1974. FT-SE 100, Hourly changes Day's High 2594,7 Day's Low 2581.3 11 am 12 pm 1 pm 2 pm 3 pm 4 pm 2582.6 2589.0 2591.5 2592.1 2589.8 London report and Day's Low 1175.22 FT-SE Eurotrack 200. Hourly changes Day's High 1181.49

FINANCIAL TIMES STOCK INDICES



EQUITY FUTURES AND OPTIONS TRADING

market to its all-time high yes-terday in one of the busiest is of the year in London derivatives, writes Jim Casting aside the lackhustre

EQUITY futures led the stock

performances of most overseas markets, London pushed ahead as shortage of shares forced marketmakers into the futures market to cover trad-The September FT-SE 100

spot of 40 points, against 35 in the previous session and fair value of 26. This encouraged arbitrageurs to profit from the discrepancy between the two markets by selling futures and brights charges buying shares. Brokers estimated that up to

half of the day's turnover was related to arbitrage activity. But despite selling from arbitrageurs, the futures market maintained its strength as

taken short positions in the belief that the rally would soon run out of steam were forced to cover themselves.

The September FT-SE closed at 2,625, up 33 points on the

day and at a premium of 37. In traded options there was a simultaneous buyer and seller of 500 GEC August 200 October 260 calls also lifted

| Print |+ or | __Yiph

boosted stores. Dixons rose 13 retreated 13 to 439p. to 234p and Marks and Spencer

NEW 190315 (113).

BRITISH PURCS (27 Track. Spc 1851, Tvens. Cpc I. 1982, AlbERNICANS (4) Bankers NY, Data General, Rap NY, Unlabs, BANGE (1) Abboy National, SREWENS (2) Fossers, Guinnass, CHEMECALS (1) Physis, STOMER, Clay Andrew Pers, Argon, Courts, Disons, Dunidi, Esser, Furniture, Fine Aris Devel, In Shops, Kinglisher, Do. 8-2 pc Ln. 2000, Marks & Spencer, Smith (WA) A. ELECTRICTTY (2) National Power, Provender ENGINEERING (8) Fairey, Molins, Rotaris, T., POODS (5) Argys, Morrison (Win), Do. 5-4 pc Pri., Turustall, ELECTRICTTY (2) National Power, Provender ENGINEERING (8) Fairey, Molins, Rotaris, T., POODS (5) Argys, Morrison (Win), Do. 5-4 pc Pri., Turustall, ELECTRICTTY (2) National Power, PowerGer ENGINEERING (8) Fairey, Molins, Rotaris, T., POODS (5) Argys, Morrison (Win), Do. 5-4 pc Pri., Colorges, De Le Rus, Inchcape, Johnson Clamers, London Intil., Modewa, Reckits & Commen, Do. 2-5 pc Crv. Bd., Relyon, Scape, Shesks & McErens, SmithKilne Bescham A. TT. WISSURS, SMITH, SMITH, Worthington (AJ), MISSURS, Color, Smith States, Color, Prod., MOTONES (1) Perchangon, Release Angless, (3) Berchent, MARY, Moton, St. Nes, PROPERTY (7) Stough Ents. 8-4 pp Not Pri., SMOTONES (1) Plazar Garnar, TEXTILES (1) Sindar, TORACCOS (1) Rothmans and B. HalbaryOMY (3) NC, Tiphook, TRUSTIS (27) Alliance Inv., American Tor. B., BZW Crv. Units 1998-02. Reuters leapt ahead on news of interim profits above expectations, although the stock later lost some of its gain as analysis took varying views on the accompanying statement. There was a small improvement in profits to £170.1m, cast a decline. However, Reu-ters warned that percentage growth in revenues this year gle figures - the company has long been seen as a highgrowth stock with earnings per share almost doubling in the last five years. The more optimistic analysts, such as at Henderson Crosthwaite and also Daiwa,

Brit. Assets II. 2005, British Inv., British Assets, Dunedin Inc. Growth, Edinburgh Inv., Eng. & Scottish Inv., Fing., Assets, Dunedin Inc. Growth, Edinburgh Inv., Eng. & Scottish Inv., Fing. Anaricas, Do. Crw. 1999, Fing. Morcardle, Foreign & Col. Inv., For. & Col Practise, Geared Inc., Invistors Capitall, M & G. Mahvern IN Index, Mercury Asset Mingrat, Monks Inv., Scottish Natl. Zaro Div Prf., Second Alflanca, Secs. Trust of Scottiand, Selective Assets Uns. Lr. 2013, Do. 2013 Series B. TR Tochnology Stopd. Prf., Yeoman Inc., Ol.S. 69, British Gas, Feirinaven Insl., Shall Trans., Moore Burgese, Pasminoo, Simmer & Jeck.

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paid 170p for 1.2m shares, representing 13.2 per cent of the equity. **NEW HIGHS AND LOWS FOR 1991** Worries that the United Nations might allow Iraqi oil exports for humanitarian rea-sons unsettled the crude oil Oil majors were also upset by a Strauss Turnbull recom-mendation to switch out of BP

and Shell and into British Gas. Mr John Toalster at Strauss expects "a five per cent retreat expects "a five per cent retreat in the sector near term". He forecast "disappointing" second-quarter figures from Shell Oil on Friday, with \$135m worth of provisions giving an overall loss of \$35m. BP eased to 347½p on 5.6m but Shell managed a 3½ gain at 542p on 3.8m and Ges added 4 more at 275p on 8.4m. Burmah, upset by a broker's sell recommendation, dipped 4 to 564n. tion, dipped 4 to 564p.
Tiphook moved ahead 13 to

493p as Mr Mark Laurence of

director of CELCON BLOCKS.

where he was managing director, and takes over from joint managing directors Mr Roger Thomas and Mr Roger Thomason. Mr Thomas

continues as managing director of Kingsway Group

UK building materials division

Celcon Blocks. Mr Mike Flynn

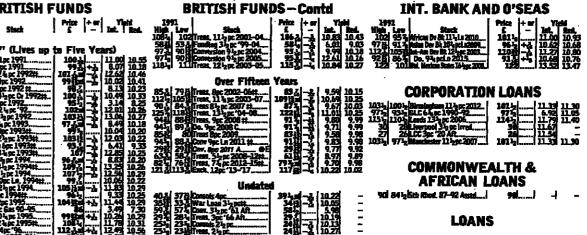
Mr Thomason becomes sales

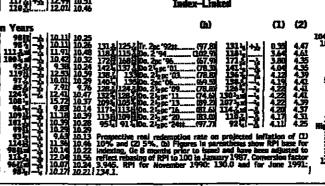
and marketing director of

has been promoted from

He joins from Woodstock

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APPOINTMENTS

Chief of commercial insurance at the AA



THE AUTOMOBILE ASSOCIATION's subsidiary, AA Commercial Insurance Brokers, has appointed Mr Rod Carbery as chief executive. He was chairman and managing direc-tor of the UK retail operation of Citicorp Insurance Brokers. Previously he was commercial director of Hogg Robinson.

■ Mr Christopher J. Campbell, chairman, British Shiphuilders, thas been appointed a non-executive director of HARRODS BANK.

SOCIETE GENERALE TOUCHE REMNANT UNIT

TRUST MANAGEMENT has Nixon as marketing director from August 5. He was financial services marketing manager at Extel Financial.

■ Mr Geoffrey Almeida has been appointed a director of BT PROPERTY, with responsibility for finance and systems. He joined British Telecommunications from Grand Metropolitan Estates where he was a property development consultant.

■ PFG HODGSON KENYON INTERNATIONAL, funeral services group, has appointed Mr Peter Hindley as chief executive. He was managing director of Young's Formal Wear, and takes over from Mr Bruno Grison, acting chief executive, who remains on the

E.W. PAYNE COMPANIES has appointed Ma Louise Rook as an associate director, financial reinsurance division. She was a financial reinsurance broker with C.E.

■ Mr Robin Fox, a vice chairman of Kleinwort Benson Group, has been appointed chairman designate of the EXPORT GUARANTEES ADVISORY COUNCIL, succeeding Sir Peter Leslie whose term of office expires in July 1992.

Mr Stuart Bell has been appointed managing director of Personal Pension GUINNESS MAHON ASSET MANAGEMENT. He joins from the Wyatt Company.

■ Mr Shaw Edwards, head of ERNST & YOUNG's national healthcare consultancy group, has been appointed a partner the first CIPFA member to FOLGATE INSURANCE CO,

Poole, a subsidiary of Wuerttemberische Versicherung, Stuttgart, has appointed Mr Christopher Garland as deputy general manager and director, to succeed Mr A. Newell as general manager on his retirement. Mr Garland retains his post as managing director and City underwriter for the London underwriting

■ Mr Bob Evans has joined the national tax investigation unit of ROBSON RHODES. He was with the Inland Revenue enquiry branch.

Lord Bellwin has been appointed a non-executive director of WELPAC from August 1. He is a non-executive director of Taylor Woodrow,

appointed chairman of BEACON BROADCASTING AND COMMUNICATIONS, Wolverhampton. He was deputy chairman, and takes over from Mr Alan Henn who is retiring.

Mr Andrew Morgan-Giles has been appointed managing

general production manager to production director. Exco chairman

■ EXCO INTERNATIONAL has appointed Mr Carel Mosselmans (pictured) as chairman. He was chairman of Sedgwick Group, and is chairman of Rothschild Asset Management, and a non-executive director of Coutts & Co. Mr Richard Lacy will step down as chairman, but remains chief executive.

Management, a subsidiary of

WEDNESDAY HILY MIK

STRIALS (Miscel.)_,

66	FINANCIAL TIMES WEDNESDAY TOLY 24 1991	LONDON SHARE SERVICE	● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help deak on 071-925-2128
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CURRENCIES, MONEY AND CAPITAL MARKETS

Beregovoy, French finance minister, about possible cuts in

interest rates. It stayed the second weakest ERM currency

slightly above the Danish

France had a seasonally

adjusted trade deficit of FFr3.81bn in June, compared

with a revised May shortfall of

FFr1.95bn. There had been

ance might be in surplus for the first time since early 1990. Figures on German con-sumer prices for July are

FOREIGN EXCHANGES

Dollar slides against D-Mark

Y136.95 from Y137.40; and to FFr5.9625 from FFr5.9700, but

rising to SFr1.5260 from SFr1.5215. On Bank of England figures the dollar's index was

Sterling improved against

the dollar and remained the third strongest currency in the

European exchange rate mechanism. Encouraging UK economic news, including Monday's current account and

day's current account and overseas trade figures for June, were offset by speculation about British interest rate cuts later this year.

The pound gained 35 points to \$1.6845. It also rose to DM2.9575 from DM2.9550; to EFr10.0450.

Ffr10.0450 from Ffr10.0350; and to SFr2.5700 from SFr2.5575, but eased to Y230.75 from Y231.00. Sterling's index closed unchanged at 91.1.

The French franc showed little reaction to disappointing French trade figures in June,

unchanged at 66.9.

THE DOLLAR retreated in late European trading, to finish below DM1.7600, after touching a peak of DM1.7725.

The slide followed comments from Mr Michael Boskin, White House chief economic adviser, who said the US economy appears to be in recovery but that some regions, as well as some business sectors, still lag

He noted that the car indus-try, property and construction sectors, have been particularly hard hit by the recession, and that "the serious problem of the availability of credit in the US is probably the biggest single threat to a sustained recov-

Nevertheless Mr Boskin told a congressional joint economic committee that the administration expects the economy to expand in the second half of 1991 and to grow through the next year and beyond. He added that "the nation must choose between sound policies that will promote long-term growth and policies that will reduce economic flexibility. stunt incentives and place its economic future at risk."

Dealers said that Mr Bos kin's reference to a credit crunch was the main factor depressing the dollar. At the London close it was generally weaker on the day, falling to DM1.7560 from DM1.7585; to

July 23	Late	st i		À		
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CURRENCY RATES

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KorraiS(b)	112.00° 1216.15 - 1235.75									
Keesalt	0.48280 - 0.48310 60.90 - 61.00	0.29290 - 0.29300								
Lucentoury Malaysia	4.6770 - 4.6850	36.15 - 36.25 2.7860 - 2.7880								
Medico	5047,10 - 5051,80 2,9700 - 2,9730	3015.00 - 3016.00 1.7700 - 1.7720								
Saudi Ar	6.2175 - 6.2940	3.7500 - 3.7510								
Singapore	2.9375 - 2.9445 4.8200 - 4.8315	1.7485 - 1.7505 2.8710 - 2.8725								
S.M (Fib)	5365 - 54300 45.15 - 45.25	3.1845 - 3.2360 26.90 - 26.95								
U.A.E	6.0875 - 6.1640	3,6715 - 3,6735								
-										

MONEY MARKETS

Rates hold steady

in London yesterday, unmoved by recent economic data. hree-month sterling interbank was unchanged at 114-11 per cent and 12-month money was steady at 1041-1041 per cent. Short sterling futures held in

a narrow range on Liffe, in quiet trading. September deliv-ery opened unchanged at 89.35 and moved between 89.31 to 89.35 before closing at 89.32. The Bank of England did not appear to fully absorb a fairly large shortage of day-to-day credit on the cash market,

UK clearing bank base lending rate

11 per cent from July 12, 1991

leaving overnight money tight

at around 13 per cent.

The shortage was initially forecast at £850m, but this was revised to £800m at noon and

back to £850m in the afternoon. Help of £534m was provided. In early operations the authorities bought £150m bills outright, by way of £75m Treasury bills in band 1 at 10% per cent and £75m bank bills in band 1 at 10% per cent. Before lunch another £2m bank bills were purchased in band 1 at 10% per cent. In the afternoon £62m bills were bought, via £36m bank bills in band 1 at

Late assistance of around 2320m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £170m, with Exchequer transactions

absorbing £720m. These outweighed a fall in the note circulation adding £50m to liquidity.
In Dublin the Irish Central Bank cut its short term facility rate to 10% from 10% per cent The rate, at which the central bank lends to commercial banks, was last reduced by %

point on July 15. In Madrid the Bank of Spain left its money market intervention rate at 12% per cent at its thrice-monthly tender of certificates. On Monday Bankinter, a medium sized Spanish bank, raised its prime rate by % point to 11%

In Frankfurt call money call money was unchanged at 8.85 per cent, holding steady after the Bundesbank said that banks' provisional reserve requirement for July had risen to DM71.6bn, from DM70.5bn in June. Banks' average holdings for the first 21-day's of the month were DM74.5bn.

At a tender for securities repurchase agreements the Bundesbank offered 28-day money at variable bid rates. This is required to offset DM11.5bn draining from the 10% per cent and £26m bank banking system today as an bills in band 2 at 10% per cent. earlier facility expires.

The second of th

FINANCIAL FUTURES AND OPTIONS

IFFE LBMG GELT FUTURES GPTIERS ISS,000 64ths of 199%					LIFFE U	TREASO 64ths of	RY 8040 I	TUTURES	OFTE	
Price 88 89 90 91 92 93	\$49 2.46 1.52 1.63 0.33 0.14	Dec 3-63 3-13 2-31 1-36 1-24 0-62	Sep 0-02 0-04 0-10 0-25	042 0-21 0-35 0-53 1-14	Strike Price 90 91 92 93 94 95 97	Calls-s Sep 3-34 2-39 1-49 1-04 0-35 0-16 0-07	11 consts Dec 3-26 2-46 2-07 1-39 1-12 0-34 0-36 0-26	Pets-9: Sep 0-05 0-11 0-21 0-40 1-07 1-52 2-43 3-39	tilenes 0-4 1-0 1-2 1-5 2-3 3-0 3-6 4-4	
Estimated volume total, Calls 856 Pets 730 Previous day's open Int. Calls 20625 Pets 16362					Estimated volume total, Calls 0 Puts 0 Previous day's open last, Calls 1545 Puts 630					
Strike Calis-settlements Pats-settlement Pats-settlement					US\$1 _m p	190001114 1914: 17	7 05-138Hz			

CHICAGO

These are forecast to show a sharp rise in year-on-year infla tion to at least 4.0 per cent from 3.5 per cent in June. Ris-ing inflation will increase spec-LONDON (LIFFE) ulation that next month's Bundesbank council meeting will result in higher official interest rates however and is already reflected in the D-Mark's value, according to

or to compare by the x tills assisted									
EMS E	EMS EUROPEAN CURRENCY UNIT RATES								
	Ecu Central Rates	Currency Amounts Against Ecu Jul 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence indicator				
Spanish Pessta Italian Lira Sterling Religian Franc D-Rhark Detch Gelüter Irish Punt Franch Danish Krone	133.631, 1538.24 8.696904 42.4032 2.05586 2.31643 0.767437 6.89509 7.84195	128.167 1531.16 0.695359 42.3159 2.05574 2.31634 0.768533 6.97810 7.94140	409 -0.46 -0.22 -0.21 -0.00 -0.15 -1.20 -1.20	5.59 1.74 1.49 1.48 1.27 1.12 0.06 0.00	69 29 48 11 6 -2 -61 -58				

district calculate by Figure 11 Times.									
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Jul 23	Day's spread	Close	One secuti	% P.L	Three qualis	% pa				
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EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES											
July 23	£	\$	DM	Yen	F Ft.	S Fr.	H FI.	Lira	cs	B Fr.	ECU
2	1	1.684	2957	230.7	10.04	2.570	3.332	2203	1.945	60.95	1.437
\$	0.594	1	1.756	137.0	5.962	1.526	1.979	1308	1.155	36,19	0.853
DM.	0_338	0.569	1	78.02	3.395	0.869	1.127	745.0	0.658	20.61	0.486
YEN	4.335	7_300	12.82	1000.	43.52	11,14	14.44	9549	8.431	264.2	6.229
F Fr.	0.996	1.677	2945	229.8	10.	2.560	3.319	2194	1.937	60.71	1.431
										23.72	
										18.29	
										27.67	
						1 321				31 34	-

C\$ 0.514 0.866 1.520 118.6 5.162 1.321 1.713 1133 1 31.34 0.739 BFr. 1.641 2.763 4.852 378.5 16.47 4.217 5.467 3614 3.191 100. 2.358 ECU 0.696 1.172 2.058 160.5 6.987 1.788 2.319 1533 1.354 42.41 1

Yen per 1,000; French Fr. per 10: Lira per 1,000; Belgian Fr. per 100. FT LONDON INTERBANK FIXING

CLLOO a.m. July 23\ 3 months US dollars 6 months US Dollars e-sixteenth, of the bid and offered rates for \$10m porking day. The banks are National Westmisster and Namon Contacts Treet.

MONEY RATES NEW YORK Treasury Bills and Bonds Lunchtime July 23 8.80-8.90 9-91 71-71 8.43-8.56 73-72 104-11 81-82 9-94 910-925 93-92 9.00 9.25 91-93 75-75 890-89 75-76 11-76 11-76 11-76 91-91 99 99 10-10%

L	ONDO	N MC	NEY	RATE	\$		-
Jul 23	Overnight.	7 days notice	One Month	Three Months	Six Mouths	One Year	•
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Treasury Bills (cell); one-month 1051 per cent; three months 1032 per cent; six months 1042 per cent; Bank Bills (sell); one-month 1051 per cent; three months 1042 per cent; Treasury Bills; Arcrage (ender rate of discount 10.4912 p.c. EGGP Fixed Rate Sterling Export Finance. Make as day Jane 28, 1791. Asyned rates for period July 24, 1991 to Aspast 25, 1991. Scheme 1: 12.50 p.c., Schemes II & III: 12.55 p.c. Reference rate for period July 1, 1991; Bank Depost Rates for superioday; fixed. Finance Houses Base Rate 114; from July 1, 1991; Bank Depost Rates for superioday; fixed. Finance Houses Base Rate 114; from July 1, 1991; Bank Depost Eggo 000 and over bed ander one month 72; per cent; cont-derive months 40 per cent; three-six months 92; per cent; sh-nine months 9 per cent; finanched rates round rates 9 per cent; under £100,000 712 per cent; from July 15,1991. Deposits withdrawn for cash 5 per cent;

LEFFE BUILD FUTURES OPTIONS
MU250 800 coints of 180%

LIFFE EUROMANK OPTRAS Miles pains of 100%						
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Estimated witness total. Calls 830 Pers 1975						

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93.73 93.14 93.09 92.70

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Estimated volume 463 (295) Previous day's open Int. 4694 (4740)

92_14 92_35 92_63 92_89 Ocate High 92.17 92.17 92.37 92.37 92.64 92.63 92.90 92.90 Estimated volume 1485 (3102) Prodous day's open lat. 15580 (14821) Clase High Low 2625.0 2638.0 2603.0 2666.5 2668.0 2650.0 Estimated volume 11065 (5953) Previous day's open Int. 33216 (32885)

E EURSTRACK 190 BRBEX I per hall ledex polat Cless 1138.0 d volume 0 (79) day's open int. 211, (211) Contracts traded on APT after tradies boost

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FT FINELES DICHARGE RATES DELI-STERLING \$3 per £

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C. Hoare & Co.
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Members of British Merchant
Banking & Securities Houses
Association

10 YEAR 10% NOTIONAL FRENCH BOND CHATTET FUTURES

CAC-40 FUTURES QUATUR Shadi lader

Estimated volume 1,295 Total Open Interest 2,902

OPTION ON LONG-TERM FRENCH BOND CHATTE

ECU MINO (MATER)

Adam & Company
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Bank of Baroda Banco Bilban Vizcaya ...

Bank of India ..

CHREE-MONTH PINGS FUTURES (MATIF) (Peris Inforbank offered rate

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FUTURES TRADERS:

BASE LENDING RATES

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First National Bank Plc.

Robert Francis & Co. ...

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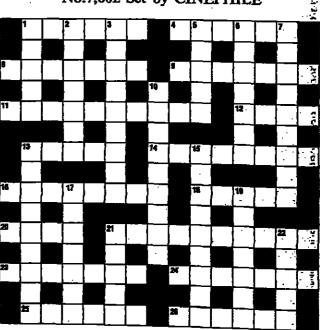
ST FUTURES INSCOUNT FIRM - MEMBER SEA - CHICAGO -LIND-WALDOCK & COMPANY MONEY MARKET FUNDS

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JOTTER PAD

CROSSWORD

No.7,602 Set by CINEPHILE



L in the across clues always has the same meaning

ACROSS 1 A bit of pain in skin turned to L (6)
4 Pointless representations of

prestige (6)

Marker of current programme, terribly partial (7)

Provincial L finds black stuff in chopped vegetable

11 L got any flavour first? First king's first (10) 12 The actual L gives colour (4) 13 Police L (5) 14 Senior L (8)

16 Deception is not backed by

L (8) 18 Scottish L, number divisible

by 2 (5) 20 L gets on neutron discoverer's wick (4)

21 L - key of clock, maybe, that's all (10)

23 Weish L gets to North European L (7)
24 L and church porch lie shatt ered in storm (7) 25 Money for leather worker (6) 26 Cure of aquatic plants with-out number (6)

DOWN
Peculiar bachelor's dance (5)
She takes stuff from the bed

(7) Hide to find faisehood in carol singer? (3.2.4): 5 Friendly vehicle (5)

programme (7)
7 Fungus causes row at cape (9) Princess's child and hilldweller are out of harmony Gostherd upset about nothing – kindness or high morale or the correct....(45) seeds for the pot at cost (5.4) 17 Looking inward as wind ran

6 It comes behind or before 2

out (7)
19 Bat for lights, the current 21 All western opening (5)
22 Cure without number of aquatic plants (5)

Solution to Puzzle No.7,601

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July 23

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Profit warning from 3M weakens Dow by midday

Wall Street

SHARE prices remained weak yesterday morning, undermined by poor earnings and a profits warning from Min-nesota Mining & Manufacturing, one of the largest constituents of the Dow Jones Industrial Average, writes Patrick Harocrson in New York. By 1 pm the Dow was down

16.10 at 2,996.87, having spent almost the entire morning session in negative territory. The more broadly-based Standard & Poor's 500 was also lower. down 1.73 at 381.15 at 1 pm, while the Nasdaq composite of over-the-counter stocks fell 2.44 to 492.55 at midday. NYSE turnover was 100m shares by

The big individual story of the day was Minnesota Mining & Manufacturing (3M) which dropped \$4 to \$89 on a decline in second quarter profits to \$1.36 a share and a warning from the company that third quarter earnings were likely to remain weak. The fall in 3M accounted for more than 7

points of the Dow's decline. Among the most active stocks were several bouncing terly figures. These included American Express, up \$% at \$23% in volume of 1.2m shares, and the retailing group Liz Clairborne, which rose \$1% to \$42% in volume approaching

Also bucking the trend was Salomon, which climbed \$1 to \$36% on news of the securities house's 48 per cent improve-ment in second quarter profits to \$176m. The figures were much better than analysts had

Tambrands fell \$1% to \$51% after the company reported second quarter earnings of 87 cents a share, up from 74 cents a share a year earlier. Although the figures were in line with forecasts, the damage was inflicted by indications from Tambrands that third quarter sales volume and full ear profits would be lower than previously expected by

The over-the-counter market was unsettled by losses among leading technology stocks due to profit-taking.

Among the decliners here were Intel, down \$1% at \$44%, Apple, down \$1% at \$44%, MCI Communications, \$% lower at \$27%, and intergraph, down \$1% at \$20%, all in busy trad-

In spite of unveiling a second quarter loss of 42 cents a share and a charge against earnings.

the market took a positive view about the longer term outlook for the chemical giant. Wells Fargo shed \$3 at \$69%

after Mr James Rosenberg, analyst at Shearson Lehman lowered his investment opinion on the San Francisco-based bank to "high-risk underperformer", citing uncertainty about the group's loans to real estate projects and highly leveraged transactions. Mr Rosenberg has been advising clients to switch from Wells Fargo into its California rival, BankAmerica, whose shares yesterday eased \$\% to \$35.

TORONTO recovered from an early dip. At midday the com-posite index was only 0.1 lower at 3,543.3. Declines led advances by 224 to 176 in vol-

Northern Telecom rose C\$% to C\$44. The company expressed cautious optimism for the rest of 1991, after reporting good second quarter

The nickel mining leader Inco sank C\$1% to C\$41% on poor second quarter earnings. imperial Oil eased C\$% to C\$54% after reporting a second

ASIA PACIFIC

Nikkei marginally higher as volume remains low

Tokyo

RELIEF spread through the market on news that brokerage officials would not be summoned to testify before parlia-ment tomorrow, writes Emiko Terazono in Tokuo.

The Nikkei average closed 53.69 higher at 22,758.98, after a low of 22,540.56 in the morning and a high of 22.841.79 in the afternoon. Institutional investors stayed away, and the recovery in volume from 160m to 220m shares left it at low

Declines led advances by 563 to 302 with 226 issues unchanged, but the Topix index of all first section stocks rose 0.55 to 1,786.62 and, in London, the ISE/Nikkei 50 index gained 6.22 to 1,373.72.

Futures prices rose on the announcement that Mr Minoru Nagaoka, chairman of the Tokyo Stock Exchange, was named to testify before the House of Representatives finance committee. There had been nervous speculation that officials of Nomura Securities would testify, revealing names of compensated clients.

Mr Shin Tokoi at County NatWest Securities said most of the bad news was discounted into share prices, but due to the depressed sentiment an immediate pick-up in activ-ity was unlikely.

Large-capital issues firmed as some investors were encouraged by the resilience in recent price movements. NKK, the most active issue of the day, added Y1 at Y376.

Nomura Securities remained unchanged at Y1,670. The issue has rebounded from its recent low of Y1,540 at the beginning of the month, down 32 per cent from levels in March. Daiwa Securities was also unaltered at Y895 and Nikko Securities

eased Y2 to Y903. Speculative shares were firm on short-term trading. Takuma, the boiler maker, rose Y40 to Y1,180 and Nihon Noh-

NATIONAL AND REGIONAL MARKETS

Austria (20) Belgium (49

Canada (115).

yaku added Y70 at Y1.800. The Tokyo Stock Exchange announced that both issues would be placed under monitoring due to high margin sell-

Real estate companies moved up on light buying by foreign investors. The sector was sold down recently on continued Ministry of Finance monitoring of bank-lending to the industry. Mitsubishi Estate put on Y10 to Y1,310.

Bargain hunting lifted Keisei Electric Railway Y50 to Y1,260. Rumours that a speculator had liquidated holdings of the stock depressed the share price last week, but an increase in profits jects encouraged individuals. In Osaka, the OSE average slipped 153.83 to 25,540.69 on volume of 9.6m shares. Nissho, a medical equipment company, climbed Y90 to Y1.910. Traders said the shares have been ris-

ing ahead of an issue later this month of Swiss Franc-denominated warrant bonds.

Roundup

PACIFIC Rim markets were concerned with domestic ssues yesterday. Bombay was closed for a religious holiday. HONG KONG retraced Monday's losses in quiet trading to end at another record high. The Hang Seng index gained 21.47 to 4.009.82, marginally above Friday's 4,009.35 close. Turnover dipped to HK\$1.68bn from HK\$1.75bn as investors retreated to the sidelines before the US Senate voted on

status later in the day. KUALA LUMPUR was lifted by strong interim results from MBf Finance, a finance group, which raised hopes of good results from other compa The composite index climbed 6.07 to 601.92. MBf Finance shares were by far the most actively traded, rising 9 cents to M\$2.07 with 8.03m shares changing hands, boosting turn-over to M\$118m from M\$89.8m.

MONDAY JULY 22, 1991

China's Most Favoured Nation

AUSTRALIA consolidated Monday's gains and hit a new 11-month high with the All Ordinaries Index a marginal 0.3 ahead at 1,570.6 amid volume of A\$208.2m.

Trading was dominated by the sale of New Zealand forestry group Carter Holt Harvey's 49.6 per cent stake (worth A\$108.65m) in Bridge Oil via BZW and Bain Securities. The two brokers said they had acquired the 205m shares at 52 cents each before placing them with institutions at 53 cents. Bridge Oil ended 2 cents lower

Renison Goldfields receded 8 cents to A\$5.84 It said it was 60-cent rise in its share price to A\$5.96 between last Thursday and Monday. Dealers said the rise was fuelled by speculation that Hanson, the UK conglomerate, wanted to sell its 49 per cent stake.

NEW ZEALAND continued to focus on Telecom, which accounted for about half the day's NZ\$43m turnover. The stock shed 2 cents to NZ\$2.28. The NZSE 40 capital index lost 2.49 to 1.461.12.

About 14m Wilson and Neill shares were traded off-market and the stock dipped 3 cents to 40 cents as Herbert Group placed its stake in the company with institutions.

MANILA was disappointed that President Corazon

Aquino's state-of-the-nation speech did not contain more sures to improve the economy. The composite index clined 12.63 from Friday to 1,010.34. The market was closed on Monday. Turnover shrank

to 104.8m pesos from 258.9m.
SINGAPORE closed off the
day's high. Share prices succumbed to profit-taking after a
strong start but turned
upwards again towards the close. The Straits Times Industrial index reached a day's high of 1,503.41 before finishing 7.65 ahead at 1,499.05 after turnover of S\$189.21m, against a previous S\$136.72m.

Tel Aviv pauses after gallop to record high

Politics could end the Israeli stock market's 30-month charge, writes Hugh Carnegy

T has been a long, giddy gallop for the Tel Aviv Stock Exchange (TASE), and while committed fans of the market think that its 30month charge still has some way to run, others say that it could be riding for a fall.

"I cannot see the end to it," is the bold verdict of Mr Shaul Bronfeld, the TASE's managing director, as he surveys the remarkable record of the past two-and-a-half years, in which share values have tripled in dollar terms after sliding from an earlier peak in 1987.

Over the past week the marthat a high set two weeks ago presaged a correction, and wor-ried about the consequences for the economy should Israel refuse US pressure to join Mid-

dle East peace talks.

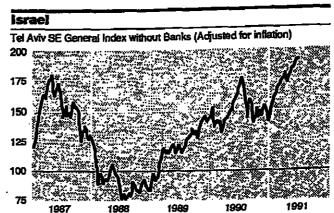
An Israeli "no" to Washington would almost certainly send the market downwards at least for a while. But forecasts of strong growth in the economy and optimism about corporate second-quarter per-formance are underlying factors which have kept the trend

moving upwards. On Monday the index of the 80 most traded stocks was a shade below 390. At the turn of the year it was below 300. In dollar terms the market is up more than 40 per cent on the year so far. The bull market has survived both the tense months

following the fraqi invasion of Kuwait last August and the subsequent war, when Iraqi Scud missiles came thundering down on Tel Aviv, some of them not far from the exchange itself.
Gulf crisis nerves did pro-

duce some precipitous falls in the early weeks, in which the main indices lost as much as 10 per cant a day. But the market soon resumed its upward path. The exchange was closed for two trading days at the start of the war, but quickly scented a speedy allied victory and posted advances throughout most of the hostilities.

All this may seem puzzling. Israel is perched in the world's most politically combustible region and its economy, often criticised for remaining



faces the daunting challenge of absorbing an estimated 1m Soviet Jewish immigrants by mid-decade, a population rease of one-fifth.

However, as Mr Bronfeld explains, investors in the TASE have taken a strongly optimistic view of immigration. He says that while the early stages of the current bull market reflected a cyclical upturn in the economy after a period

had been overlaid by the effects of the immigration tide. "That changed the perspective of investors quite dramatically," he says. "We are looking now at five years of accelerated growth in the economy as a result of immigration which we have not seen since

Not everybody is so confident. Bank Leumi, in a regular survey of 150 of the 280 compa-

after the Yom Kippur war in

nies quoted on the TASE, said in its most recent report that no less than 85 per cent of the companies were valued on the exchange at levels above their real economic worth.

Several members of the Knesset (parliament) finance committee were moved to warn the public of the possibility of a sharp downturn. There is some expectation of a significant correction soon, although most commentators say the long term trend remains up.

Some of the heat could be taken out of equities if there is an awakening in the currently quiescent bond market, as a esult of government borrow ing to fund immigration. So far, pressure from additional funding needs has yet to be felt in the local market. The government wants to do much of its borrowing overseas, in part to keep down interest rates at home to help growth.

In time, however, there could be big calls on the local bond market, which remains bigger in capitalisation terms than the \$14bn equity market

Continent rises but trading stays subdued

BOURSES were generally higher yesterday although vol-umes remained low, writes Our

Markets Staff.
FRANKFURT rose in a vacuum. The DAX index closed 9.91 higher at 1,632.94 after a 5.09 gain to 680.58 for the PAZ at midsession, but turnover only rose from an abysmal DM2.9bn to DM3.5bn. At this time last year, daily turnover was between DM5bn and DM7.50n.

In the car sector, BMW bounced DM9.50 to DM497 as volume in the stock went up from 50,000 to 115,000 shares. mes Capel increased its earnings per share forecasts to DM60 for the current year and DM70 for 1992, reflecting a 7 per cent increase in production and BMW's strength in pricing

AMB, the insurance group, extended its gains with a rise of DM32 to DM952. It has now risen DM87 or more than 10 per cent in a week marked by the float of its life unit and speculation about the intentions of the French insurer, AGF.

stocks active last May came back to the fore. SEL, which passed its dividend a little over two months ago, and suffered accordingly, came back with a DM16 rise to DM385. Henkel, which had a good run in May and profit-taking in June, rose DM7.50 to DM571.

PARIS was initially higher on the final day of the account as traders reacted positively to Finance Minister Pierre Bérégovoy's hopes that the French franc would recover enough to allow interest rates to fall. But the market then fell back on the further reflection that his the further reflection that his remarks were not overly promising. The CAC-40 index went as high as 1,775.79, boosted by futures buying, before closing 6.15 higher at 1,768.93 in turnover of FFr2bn after Monday's paltry FFr1.07bn.

Performance of the control of the first part of the control of the first part of the f

Paribas was active on the eve of the completion of its share swap operation giving it control of Ciments Français

SOUTH AFRICA

JOHANNESBURG lost more ground after Monday's stide, depressed by the negative implications of the recent gov-ernment slush fund revelations. The all-gold index fell 63 to 1,347 and the industrial index dropped 61 to 3,981.

FT-SE Eurotrack 100 - Jul 23 Open 10 am 11 am Noon 1 pm 2 pm 3 pm Close 1116.33 1116.64 1118.67 1119.21 1119.81 1119.86 1118.96 1118.62

Day's High 1120.13 Jul 19 1111.23 1113.67

and Poliet. The stock went as high as FFr419 before ending just FFr1.20 higher at FFr414.20 with 248,125 shares traded. Cap Gemini rose FFr7.50 to FFr336 on confirmation that Daimler Benz would buy 25 per cent of its parent, Sogeti, from existing shareholders for an

undisclosed sum and another 9 per cent in new shares for FFr1.2bn. MILAN was dominated by professionals as foreign and domestic investors stayed away. Volume was near Mon-day's low L70bn. The Comit

index was barely changed, fall-

The retailer Rinascente

ing just 0.08 to 569.12.

added L35 to L7,420 but fell back later to L7,390. The stock has been lifted by buy recommendations from several domestic and foreign brokers. There was also speculation that Flat might sell its majority stake in the company or that Rinascente would link up with a foreign retailer. Olivetti stood out in an

easier industrial sector, adding 1.5 per cent or L54 to L3.772. But dealers said the share rose on short-covering. An estimated 2m shares have been sold short. Cir, Mr Carlo De Benedetti's holding company, rose L35 to L2,830. After the close, Cir caid that it planned to offer up to 7.7m ordinary shares in its publishing unit Editoriale L'Espresso L25,500 each. L'Espresso had closed L100 lower at L26,300. ZURICH saw its best share price sequence in the insurers,

Swiss Re putting on SFr40 to SFr2,800, Winterthur SFr60 SFr3,810 and Zurich Insurance SFr40 to SFr4,710. The Credit Suisse index closed 1.9 higher at 546.8. Nestlé topped the actives list as the registered shares rose SFr110 to SFr8,620, on foreign bargain-hunting.

MADRID reflected good company results with Banco San-

tander up Pta60 to Pta5,120 and Acerinox, the stainless steel producer, Pta190 better at Pta7,690 after reporting first half profits almost equal to the whole of 1990. The general index rose 2.26 to 270.58 in much healthier volume.

Construction stocks advanced in spite of news that the government will slash Pta341bn from the budget this year, much of the cuts coming from infrastructure spending.

stirred by the confirmation of reports that Philips would sell the majority of its information systems division to Digital. Philips closed just 20 cents higher at Fl 32.80 after making a 1991 high of Fl 33.10 earlier in the day. The CBS tendency index closed 0.4 higher at 94.8. OSLO was dominated by Ber-

gesen, the shipping company, which fell on news that Octavius had sold just over half of its 11.9 per cent holding of Beresen A shares. Bergesen A shares fell NKr3 to SKr164. The all-share index fell a fractional 0.06 to 506.79 in turnover of NKr576m, of which NKr390m was Bergesen stock.

ISTANBUL hit a new sixmonth low, the market index falling 153.12, or 4.7 per cent to 3,137.96 on anticipation of ŠTOCKHOLM's

världen general index was steady at 1,136.1 in turnover of SKr490m, of which one-third was in Incentive. The B free share rose SKr3 to SKr189.

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Constituent changes with effect 24/7/91: Addition: Irish Life (Ireland). Deletions: Davy Corp. (U.K.) and OFP-Omnium Financier Paris (France).
Latest prices were unavailable for this edition. Belgian market closed July 22.

FT-ACTUARIES WORLD INDICES

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